For Reference

Not to be taken from this room

Every person who maliciously cuts, defaces, breaks or injures any book, map, chart, picture, engraving, statue, coin, model, apparatus, or other work of literature, art, mechanics or object of curiosity, deposited in any public library, gallery, museum or collection is guilty of a misdemeanor.

Penal Code of California,
1915, Section 623.

Digitized by the Internet Archive
in 2014

https://archive.org/details/forbes125126mayforb

2, 1980 THREE DOLLARS

Forbes

500s

SALES
ASSETS
PROFITS
MARKET VALUE

BURLINGAME
APR 30 1980
LIBRARY

ANNUAL DIRECTORY ISSUE

THE NATION'S LARGEST COMPANIES RANKED FOUR WAYS

21573353 AP3 NOV08 82
BURLINGAME PUB LIB
BURLINGAME CA 94010

Some things just naturally go together.

Seagram's V.O.
The symbol of imported luxury. Bottled in Canada.
Enjoy our quality in moderation.

Canadian whisky. A blend of Canada's finest whiskies. 6 years old. 86.8 Proof. Seagram Distillers Co., N.Y.C.

Mother's Day, May 11th

ARE YOU CLOSING YOUR EYES TO THE PROFIT POTENTIAL IN 800 SERVICE?

Today, over 29,000 companies have discovered the profit potential in the 800 Service number.

They are small and large companies. They represent all types of businesses—antiques, chemicals, florists, lab supplies, and lots more.

That means there's a variety of ways to use 800 Service. If you're not using it, maybe there's a potential you haven't yet spotted.

Here are some of the things we've learned that may help you.

Instant Action With Direct Sales

Your customer's interest is at its highest when he or she first sees your ad. The 800 Service number lets customers respond instantly. It prompts people to buy, improves the number of responses you get.

Do you publish a catalog? People find it easier to call your 800 Service number than to fill out a catalog order form. And your order people can suggest additional items to buy.

Smaller companies, which specialize in one type of product, such as competition swimwear or customized auto bodies, have found the 800 Service especially profitable.

Sell To Other Businesses

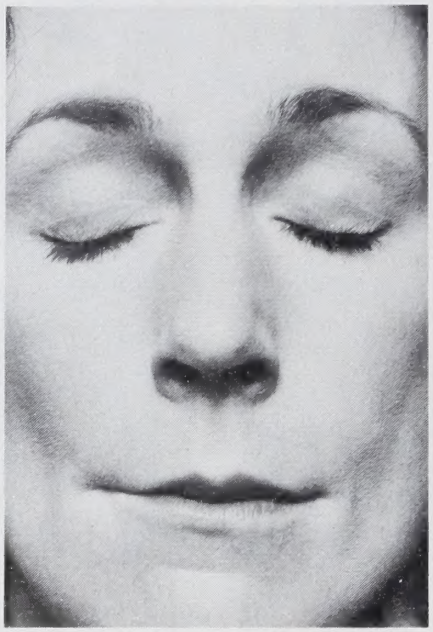
When your customers want to order, and your salesperson isn't due for a visit, all they have to do is call your 800 Service number. They can discuss their needs with your salespeople, make substitutions on the spot, learn about new products, be reminded of discounts and deals.

Complaints are cleared up, orders are processed and delivered faster. With better service, you have an edge over the competition.

One company, by adding 800 Service, was able to close down its nationwide sales offices. Now customers, instead of calling one of the local offices, call central headquarters. It's faster and more efficient—yet warm and personal.

Give Customers Information

With 800 Service, consumers



can find out where your retail outlets are, what stores carry your product. Do they want product information—sizes or colors? Do they want to locate the nearest repair service? 800 is the answer.

One camera manufacturer gives advice on picture taking with it. A model airplane manufacturer has substantially reduced returns with instant help on getting models to fly. In this way, too, they catch defects when new products are launched.

Measure Advertising Response

With 800 Service, you'll know immediately how effective the ad is. You'll discover which media are pulling best. And ask any other question that might be helpful in evaluating your advertising.

When you learn instantly which are your best ads, you can pull the poor performers at once and so increase advertising productivity.

Improve Company Image

Consumer attitudes can help *or hurt* your business. In this age of consumerism, 800 Service demonstrates your willingness to talk, gives you an honest, candid image.

800 Service lets you answer consumer questions quickly and courteously. It turns potentially dissatisfied customers into friends.

Company stockholders can also talk to you in this way. And it's easy for potential stockholders and financial analysts to establish contact and request additional information, annual reports, or special brochures.

Here's More Help

In addition to 800 Service, Bell has all these programs to help you manage your business better.

#2 WATS Lines for Small and Medium Business. Learn the most economical ways to buy WATS—by time, by area—and how WATS can build profits, improve customer service, and reduce selling costs.

#3 Remote Call Forwarding (RCF). Customers dial a local number, reach you in a distant city. You have local "presence" without the expense of a local office. Lets you open new markets, test out those new markets and give better service.

#4 Selling Smaller Accounts. Instead of visiting distant accounts, sell by Long Distance. Reduce the cost of making the sale. Sell more accounts. Reach customers at the point where lowered inventory prompts them to buy.

#5 Improving Credit Management. It's the key to cash flow—programs that expand your market, develop customers, build profits. Helps you check the customer's ability to pay, calculate marginal risk, and collect overdue accounts.

#6 Handling Inquiries. Turn mail or phone inquiries into sales. Learn how to capitalize on a prospect's interest immediately with quick and competent action. Establish rapport that cannot be achieved by responding through the mail.

Bell System

CALL 800-821-2121,

Ext. 949

toll free anywhere in the contiguous United States. In Missouri, call 800-892-2121, Ext. 949.

A BELL BUSINESS EXPERT WILL TALK TO YOU. You can expect to have a relaxed, friendly talk. You'll discover whether the 800 Service number can be a practical, profitable plus for your business. To help you, we'll need information. So we'll ask questions, like the ones listed below. No surprises, nothing you won't have the answer to. You'll find the discussion thoroughly enlightening and enjoyable.

"I'll take a good look at it.

Q. What is your product or service?
Q. How many accounts do you sell or service?
Q. What geographic area do they cover?
Q. How many locations does your business have?

Q. What type of advertising/promotion do you use?
Q. Do you accept collect calls?

Q. Do you use services other than your local lines, such as RCF?
Q. How do you handle inquiries at present?
Q. Do you have plans to meet specific business objectives—such as increasing market coverage?

OR WRITE.

Fill in below or attach your business card and mail.

Bell System Sales Center
811 Main Street, P.O. Box 549
Kansas City, Missouri 64141

Yes, I am interested. Tell me more about:
☐ **#1 800 Service**

I would also like to know more about the subjects I've checked below.
☐ **#2 WATS Lines For Small and Medium Businesses**
☐ **#3 Remote Call Forwarding**
☐ **#4 Selling Smaller Accounts**
☐ **#5 Improving Credit Management**
☐ **#6 Handling Inquiries**

Name_____

Title_____

Company_____

Address_____

City_____ State_____ Zip_____

Area Code_____ Business Phone_____

800-821-2121, Ext. 949

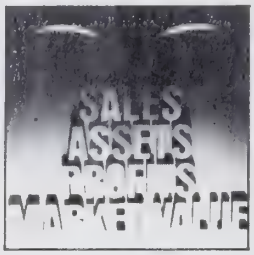
To call toll free, dial 800-821-2121, Ext. 949, anywhere in the contiguous United States. In Missouri, call 800-892-2121, Ext. 949.

Bell System

949-005

Forbes

May 12, 1980
Volume 125, Number 10



Features

Cuba: *What's Wrong?* Just about everything. In Fidel Castro's workers' paradise, the economy is stagnating at best, deteriorating at worst. 49

Government: *Big Brother Strikes Again.* Ever hear of the Committee for Civil Applications of Classified Overhead Photography? Not many people have. Even fewer know what it does. It is a means by which government bureaus like the Environmental Protection Agency enlist the aid of military intelligence satellites to spy on American businesses. ...50

Capital Investment: *Are Dividends The Next Casualty?* In the Sixties, dividends were for old ladies; growth was the thing. Then came the sober Seventies, when people began buying stocks for yield again. Is the pendulum swinging back once more? 52

Companies: *Island Creek Makes The Best Of It.* The big question about coal's golden age is what you do while you're waiting for it.....56

Motorcycles: *Full Throttle.* While automobile sales collapse, motorcycle sales are at record heights and still accelerating. 61

The Streetwalker: *Disagreement On Oils.* Those who presumably best know the value of oil in the ground are the big oil companies, and they're currently willing to pay higher prices than the stock market puts on quality reserves. ...64

Banks: *"If They Can Do It. . . ."* Despite new restrictions, foreign banks still flourish in the U.S. 69

Accounting: *Thank Heaven For Little Clients.* They grow bigger every day—which is why even Big Eight accounting firms are going after them. 70

Mortgage Insurance: *The Survivors.* To hear Bill Hemphill and Max Karl talk about it, you'd think the current unpleasantness in new housing was merely an episode. But then, they've weathered some rough times before. 85

Companies: *Is Dismemberment The Answer?* For anemic SCM Corp., it may be. Al Rockwell wants to give it a try—even if it takes a proxy fight. 86

Faces Behind The Figures

Maxwell Joseph, *Grand Metropolitan, Ltd.* 90
Carl Ferenbach, *Merrill Lynch White Weld* 90
James M. Henderson, *Henderson Advertising* 92
Allan Brock, *Farmers Home Administration* 92
Frank Van Court, *Interedec U.S.A.* 94
Russell E. Hogg, *Interbank Card Association* 94

Energy: *"Like The Beginning Of The Auto Age."* That's one government official's characterization of the energy-saving industry. Still in its infancy and fragmented into businesses large and small, it serves a market estimated at $40 billion. 97

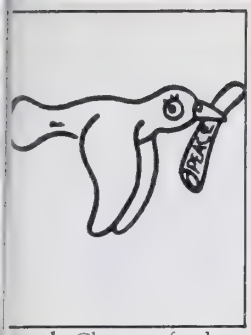
Economic Forecasting: *The Globesim View.* "Globesim" is the econometric model used by Claremont Economics Institute to produce scenarios of what may happen politically and economically around the world. The scenarios are often not very cheery. 111

The Money Men: *Back To Bonds?* Why would anyone in his right mind want to do that? Look at the numbers, says Kidder, Peabody's Duncan Gray. 119

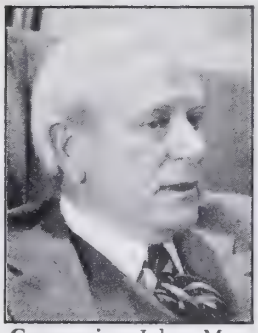
Statistical Spotlight: *The Stuff Of Dreams.* Underlying natural-resource assets of 186 corporations. 145

Companies: *A Matter Of Labels.* A lot of CEOs don't like you calling their companies conglomerates. American Standard's Bill Marquard rather wishes you would. 159

Germany: *Keeping The Lid On.* Is there a connection between West Germany's moderate rate of inflation and its tight controls on consumer credit? 162



srael: Chances for last-ng peace between Israel ınd the Arabs are far bet-er than the rhetoric on ;ither side suggests. A 'eport by Editor James Michaels. **74**



Companies: Johns-Manville's troubles are well known; its brighter prospects not so well known. **122**

As I See It: Are directors being frightened off boards? Not the able ones, says Myles Mace. **129**

Parkinson's Law: It may actually be an aspect, says its author, C. Northcote Parkinson, of a more general law. **135**

The Up-And-Comers: You can catch the lightning if you're in the right place at the right time. But does it strike more than once? **202**

Energy: *Light A Candle!* Making energy out of manure, water hyacinths and old dashboards. 167

Companies: *Money Out Of The Air.* It takes thought and care. But Ed Donley is a thoughtful man, and Air Products & Chemicals Inc. is a careful company. 175

As I See It: *Should The SEC Police Corporate Morals?* Roberta Karmel, who for nearly three years was an SEC commissioner and its chief gadfly, says No. 180

Lobbyists: *Not Us, Please.* However seemingly wasteful, all government spending benefits *someone*. 182

The Numbers Game: *Living With LIFO.* The Great Illusion and the Great Temptation. 194

Companies: *How Could It Go Wrong?* Wealthy Robert L. Moody, a mover and shaker in Texas and scion of one of its wealthiest families, set out to build a great insurance company quickly—a little too quickly. 209

Forbes 500s

Introduction To The Forbes 500s 213

The Sales 500
The largest U.S. companies by sales 214

The Profits 500
The largest U.S. companies by profits 223

The Assets 500
The largest U.S. companies by assets 236

The Market Value 500
The largest U.S. companies by market value 250

Company Roster
An alphabetical directory of the 801 companies on one or more of the Forbes 500 lists above, including key operating statistics and the name of the chief executive 262

Money And Investments

The Economy: *There Goes The Balanced Budget.* A couple of key numbers support the view that the recession now under way may be worse than that of 1973-75. 303

Columnists

Ben Weberman 304
Heinz H. Biel 308
Stanley W. Angrist 310
John Train 312
Ann C. Brown 314
Srully Blotnick 316
Thomas P. Murphy 318

Departments

Side Lines 12
Trends 16
Follow-Through 24
Readers Say 30
Fact and Comment.....41
Other Comments 44
Thoughts.....324

Photos: p. 24, UPI; pp. 27, 56, 64, 162, 175, 180, Bill Kelly; p. 49, Hires/Gamma Liaison; pp. 61, 159, Peter Tatiner/Gamma Liaison; p. 82 bottom, Wm. Karel/Sygma; p. 85, Warren Uzzle/Black Star; p. 88, Charles West; p. 90 left, Furst Camera Press; pp. 90 right, 202, 208, John Chang McCurdy; p. 92 top, Levitan/Atlanta; p 94 top, Marc St. Gil; pp. 94 bottom, 118, Patrick Pagnano; p. 97, Judith Gefter; p. 111, James Caccavo/Empire; p. 114 bottom, Sygma; pp 122, 127, Carl Iwasaki; p. 129, Ivan Massar Black Star; p 182, Leroy Woodson Jr.; p 209, Austin American Statesman.
Drawings: pp. 74 through 82, © Yaacov Kirschen/Jerusalem Post; pp. 135 through 140, Chas. B. Slackman; p. 194, Geoffrey Moss
Charts: pp. 52, 53, 62, 114, 303, 310, Andrew Christie

Cover Photo: Andrew Unangst

Forbes (ISSN 0015 6914) is published biweekly by Forbes Inc., 60 Fifth Ave., New York, N.Y. 10011. Second-class postage paid at New York, N.Y. and at additional mailing offices. Subscription $27 a year, U.S.A. Postmaster: Send address changes to Forbes, 60 Fifth Ave., New York, N.Y. 10011.

Copyright © 1980 Forbes Inc

How to profit from a company that's not on the stock exchange.

The Austin Company is privately owned, so it's not listed on any stock exchange. But Austin can help your company benefit in three important ways.

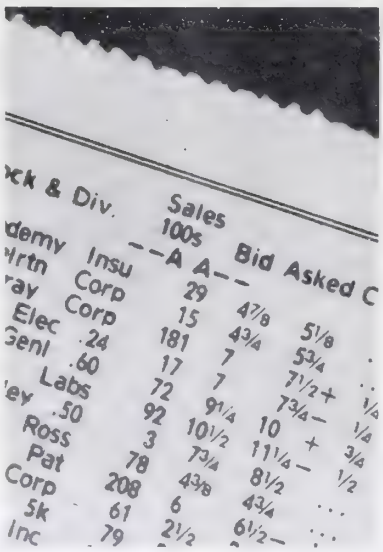
Profit from Austin's design-build efficiency.

As one of America's largest design-build firms, we've completed more than 25,000 projects—worldwide. In over a century of experience, we've designed and built aircraft, automobile and chemical plants. Research, food and fermentation facilities. Foundries, hospitals, banks, newspapers, distribution centers and more.

We deliver efficient facilities, on accelerated schedules, with undivided responsibility.

Profit from Austin's management consulting expertise.

Austin's Management Consulting Division has proved its ability to solve many of management's toughest problems, for Forbes 500 companies and for outstanding smaller firms. We're experienced in productivity improvement, market research, information systems and many other areas.



Profit from Austin technology—in optics, electronics and computer science.

Austin's Advanced Technology Systems Division is ready to address your technology needs from problem definition through hardware fabrication and testing. We offer state-of-the-art expertise in optics, electronics, mechanics and computer science.

For more information on how you can profit from Austin's experience, contact The Austin Company, Cleveland, Ohio 44121.

THE AUSTIN COMPANY

DESIGNERS • ENGINEERS • BUILDERS

WHY HALF OF FORTUNE'S 500 CAME TO AMERICA'S 2nd MOST RURAL STATE.

North Carolina has a labor force that's pro-work and a government that's pro-business. So it stands to reason that a Fortune 500 corporation, or any smart corporation, could make a fortune here.

Wage rates are some of the most competitive in the nation. And, because our workers still respect the old-fashioned work ethic, the work stoppage rate is one of the lowest on record.

State government stimulates a healthy business climate. With an AAA credit rating, no other state has a higher rating. And North Carolina is one of the few to maintain a balanced budget by law.

We led the Southeast in establishing the most new manufacturing jobs over the past decade. Most of this growth occurred outside of major metropolitan areas where most of our people live.

And every time somebody conducts a nationwide study of industrial assets, our name pops up ahead of others.

To find out more about the second most rural state, just call 919-733-4151. Or send the coupon.

I don't care if you are more urban than Pennsylvania. Send more facts.

NAME _____ TITLE _____

COMPANY _____

ADDRESS _____

CITY _____ STATE _____ ZIP _____

NORTH CAROLINA

North Carolina Department of Commerce
Industrial Development Division, Suite No 1704
430 N Salisbury Street Raleigh, NC 27611

But if you'd rather move to the number one rural state in the country, you'll have to write to Pennsylvania.

The Gas Option

Gas Energy: Industry's #1 fuel today and tomorrow.

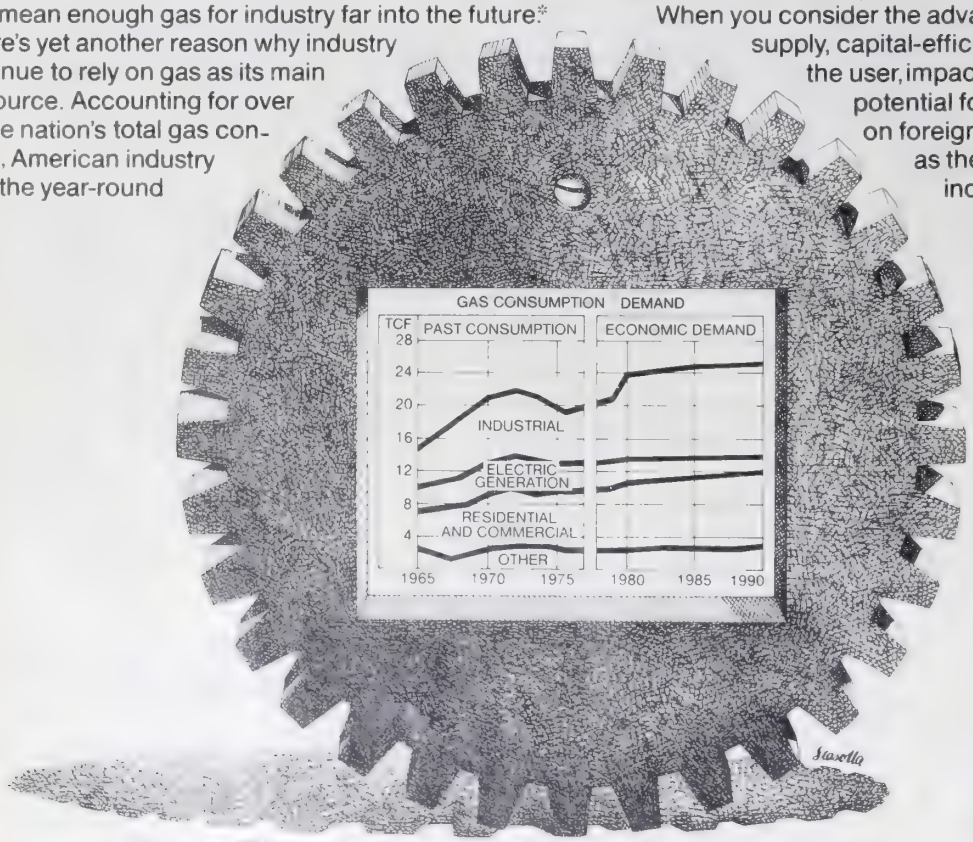
Natural gas provides almost 40% of the energy that fuels American industries—more energy than is supplied by electricity or coal or oil. And gas can be expected to remain industry's leading energy for a long time to come.

There are compelling reasons why industry prefers gas. It's the cleanest, most efficient fuel—and usually the most economical. Moreover, gas resources are plentiful: much more gas than has been used so far is still underground. This gas can be supplemented with liquefied natural gas (LNG) and gas made from coal. And new technologies can mean enough gas for industry far into the future.*

There's yet another reason why industry can continue to rely on gas as its main energy source. Accounting for over 60% of the nation's total gas consumption, American industry provides the year-round demand essential for the economical delivery of gas for all users. It's the main reason for the gas industry to give the best possible service to industrial customers.

By 1990, the economic demand for industrial gas, exclusive of power plants, is projected to be nearly 40% greater than the amount of gas consumed by industry in 1978. And that economic demand can be satisfied with development of new supplemental gas supplies. It's because of this confidence in the future that gas companies today are taking on new industrial loads.

When you consider the advantages of gas energy—supply, capital-efficiency, cleanliness, cost to the user, impact on the economy, and its potential for reducing dependence on foreign oil—gas clearly emerges as the best energy option for industry, and all of America.



Gas: The future belongs to the efficient.

*For more information, write to American Gas Association, Dept 18-DD, 1515 Wilson Blvd., Arlington, Va 22209

"...while an insurance policy is a legal contract that expresses our *minimum* responsibility, there are many occasions when equity demands that we recognize a *moral* obligation beyond the strictly legal terms—and this is always a consideration in our settlements."

HENDON CHUBB
(1874-1960)

Our insurance policy.

Group of Insurance Companies
100 William Street, New York, N.Y. 10038

Chubb is proud to play a part in bringing you The Dick Cavett Show. Watch for it on your local PBS station.

BETWEEN THE HUSTLE AND THE BUSTLE, SQUEEZE IN SOME REFRESHMENT.

"Coca-Cola" and "Coke" are registered trade-marks which identify the same product of The Coca-Cola Company

When all is said and done, service makes the difference.

At Joy, we're continually working to design and manufacture machinery and equipment that is unsurpassed for quality and reliability. But even the finest equipment requires regular service if it's to work at peak efficiency. That's why we're deepening our service commitment to our customers, with an expanded network of service centers. And with experienced service people who aren't afraid to get their hands dirty.

JOY

Joy Manufacturing Company
Oliver Building
Pittsburgh, Pennsylvania 15222

Forbes

Editor
James W. Michaels

Managing Editor
Sheldon Zalaznick

Executive Editors: Dero A. Saunders, James Cook, Norman Pearlstine (West Coast and Pacific)
Economics Editor: Ben Weberman
Art Director: Everett Halvorsen
Senior Editors: Ruth M. Gruenberg, Robert J. Flaherty, Geoffrey Smith, Howard Rudnitsky, Jefferson Grigsby, John A. Conway, Stanley H. Brown, Malcolm S. Forbes Jr., Paul Gibson
Contributing Editors: Richard Phalon, Clothield Spencer
Associate Editors: Jean A. Briggs, Phyllis Berman, Subrata N. Chakravarty
Staff Writers: Harold Seneker, James O'Hanlon, Allan Sloan, Carol E. Curtis, Stanley Ginsberg
Reporters: Betty Franklin, Richard Greene, Steven Flax, Thomas Jaffe
Reporter-Researchers: Flora S.H. Ling, Chief; Gerald Odening, Linda Gasparello, Christine Miles, Alyssa Lappen, Jane Carmichael, Thomas Baker, Jeff Blyskal, Anne Bagamery, Tom Chesser
Washington Bureau: Jerry Flint, Manager; Beth Brophy, Ann Hughey
West Coast Bureau: Kathleen K. Wiegner, John Merwin, Michael Kolbenschlag, Nick Galluccio, Ellen Paris, William Harris
Southwestern Bureau: Tedd A. Cohen, Toni L. Mack
Midwestern Bureau: Bob Tamarkin, Manager; Lisa Gross
European Bureau: Lawrence Minard, Manager; Barbara Ellis
Copy Department: Donald E. Zipperer, Chief; Marlene Mandel, Deputy; Dolores Guilhot, Jane Lashaw
Art Department: Roger Zapke, Ronda Kass, Assistant Directors; Nikki Frost, Photo Editor; Philip Gefter, Assistant Photo Editor
Columnists: Heinz H. Biel, Thomas P. Murphy, Stanley W. Angrist, John Train, Martin T. Sosnoff
Director of Production: John J. Romeo; Robert M. Rosengarten, Edward B. Morgan, Robert D. McDaniel, Assistants
Advertising Production: Patricia Deckelnick
Photocomposition: James Cianelli, Manager, Karen Heuler, Assistant; Lynn Gaspar, Johnnie English, Arthur Petz
Information Services: Robert M. Sterenson, Manager
Library: Dolores A. Latanious, Chief; Clarita Jones, Santiago Alvarado, Gloria Katz
Statistics: Donald E. Popp, Editor; Maria M. Latorraca, Associate Editor; Edward Sakalian, Ann Oliver, Paul Bornstein, William J. Kerr Jr., Stephen Gilbarg

President and Editor-in-Chief
Malcolm S. Forbes

Publisher
James J. Dunn

Executive Vice President
Leonard H. Yablon

Vice President and Secretary: Malcolm S. Forbes Jr
Vice President and Controller: Joel B. Redler
Vice President and Treasurer: Leonard Greenberg
Vice President and Assistant Publisher: Christopher Forbes
Director of Advertising: Stephen G. Nicoll
Director of Corporate Communications: Wm. Donald Garson
Director of Circulation: John M. Thornton
Director EDP: Jerome Hoffman
Advertising Representatives:
New York: 60 Fifth Ave., 10011, Peter M. Schoff, Manager; (212) 620-2232 Arnold J. Prives, Fin'l Adv. Mgr.; George C. Clissold; Donald W. MacDonald; G. Crott Henry; John Wilson; Richard Calkins; Ellen S. Dweck, Kevin D. Miller; James W. LaCingnola, Dir. Int'l Adv.; H. Duncan McMillan, Dir. Spec. Proj.; Thomas G. Petersen, Co-Dir. Spec. Proj.
Atlanta: 550 Pharr Rd. N.E., 30305, Charles S. Thorn Jr., Manager; (404) 233-2457
Chicago: 435 N. Michigan Ave., 60611, Richard W. Reynolds, Manager; (312) 467-5000 James H. Mallon, Fred H. Wellington
Cleveland: Suite 501, The Leader Building, 44114, James B. Norton, Manager (216) 771-1271
Dallas: 4681 First National Bank Building, 75202, Donald R. Brown, Manager; (214) 742-7001 William R. Arnold, Co-Dir. Spec. Proj.
Detroit: 3331 West Big Beaver Rd., Troy, Mich. 48084, Richard E. Forbes, Manager; (313) 643-0105
Los Angeles: 5900 Wilshire Blvd., 90036, Craig E. Miller, Manager; (213) 931-8131
San Francisco: 625 Market St., 94105, John B. Cunningham, Manager; (415) 788-2366
Classified: Sarah Madison; (212) 620-2371
60 Fifth Ave., New York, N.Y. 10011

Mgr. Subscription Service: T.M. York
60 Fifth Ave., New York, N.Y. 10011

PAID CIRCULATION OVER 680,000

FOUNDED 1917 BY B.C. FORBES (1880-1954)

Side Lines

Promise in the promised land

Forbes has long had a special interest in the Middle East, where in so many ways the future of the world is being decided. Editor-in-Chief Malcolm S. Forbes, Editor James W. Michaels and Senior Editor Malcolm S. Forbes Jr. jointly visited Israel the last week in March. We spent seven physically exhausting but mentally stimulating 12-hour days touring the little country and talking with much of its top leadership—political, military and business. We met any number of ordinary Israelis as well and visited kibbutzim, factories and military bases. Sometimes together, sometimes separately, we visited a Gush Emunim settlement recently bulldozed into Arab country on the West Bank and talked with Israeli intellectuals who felt that the settlement policy was suicidal. We were treated to cigars and charm by Jerusalem's fabulous mayor, Teddy Kollek, and to a fascinating account of an experiment in generating electricity from temperature differences in the Dead Sea, delivered by a dedicated and witty Israeli engineer. We gained insight into the attitudes of the American Jewish community through one of its leaders, Maxwell Greenberg, the Los Angeles attorney who heads the Anti-Defamation League of B'nai B'rith.

We came away, our heads jammed with facts and figures, our spirits lifted by the perseverance and ingenuity that we saw. There was the Ein Gedi kibbutz in the Negev, where drip irrigation was invented by colonists who were faced with a choice: find a way to grow crops with little water or abandon their kibbutz. Today their crops are thriving, as is the sn factory that turns out drip irrigation vices for sale throughout the world.

On a much bigger scale there was Is el Aircraft Industries, born also from cessity. When France cut off Israel's s ply of Mirage fighters in 1967, Isr started its own aircraft industry. To Israel Aircraft Industries is developing third generation of fighters, makes sells an excellent corporate aircraft, Westwind, and does maintenance w for international airlines. All this fr virtual scratch in a dozen years. Or S Tex Corp., which combines Hewl Packard computers with Israeli-desig terminals and software to computer the making of four-color separatio used in printing. Sci-Tex' market? T entire world.

Israeli Defense Minister Weizman in Jerusalem with (left to right) *Senior Editor Malcolm S. Forbes Jr., Editor-in-Chief Malcolm Forbes and Editor Jim Michaels*

As their turbulent political life su gests, the Israelis rarely shun contro sy. Our hosts went out of their way see that we talked with an Arab lead Elias Freij, the mayor of Bethlehem. A though regarded as a moderate Ara Mayor Freij spoke frankly of his hatr for the Israeli occupation and his conv tion· that, given self-rule, his peop would give the Israelis a run for th money in economic development. T mayor has ambitious goals. That's benefit Israel has brought to the Midd East—the setting of high standards attainment and patriotism in an ar where those two commodities have ten been in short supply. Starting on pa 74, Editor Jim Michaels reports his co clusions about the prospects of lasti peace in the Middle East. ■

Our leases are as individual as you are.

A locally owned NationaLease affiliate is responsive to local transportation needs and conditions. This can mean lower rates for you.

And, since you're dealing with top management—the owner/operator of his own NationaLease office—you can establish a long-term relationship with your local expert. He won't get transferred just as you get to know him.

Your NationaLease expert will suggest the most economic equipment for the job. He'll write you a lease tailored to your specific, individual needs.

And of course—advice is free.

Watch for the red, white and blue NationaLease emblem. It's the symbol of 135 U.S. and Canadian companies in the National Truck Leasing System...and 216 Service Centers you can depend on and trust when you need help.

The *national* system with the *local* authority.

NATIONAL TRUCK
LEASING SYSTEM
One North Wacker Drive
Chicago, Ill. 60606
For nearest affiliate
call collect: 312-782-2991

WHY LEASE?

For your free information on the advantages of truck leasing over ownership, clip and mail this coupon to National Truck Leasing System, One North Wacker Drive, Chicago, Ill. 60606

Name _____

Company _____

Address _____

_____

Zip _____

How other cop
can catch up

1. Introduce your first plain paper copier in 195
This will give you 21 years' experience in a fie
(xerography) that's 21 years old.

2. Offer copiers that do more than just copy.
Such as copiers that collate, staple, and
even keep an eye on themselves to help keep
operating troubles to a minimum.

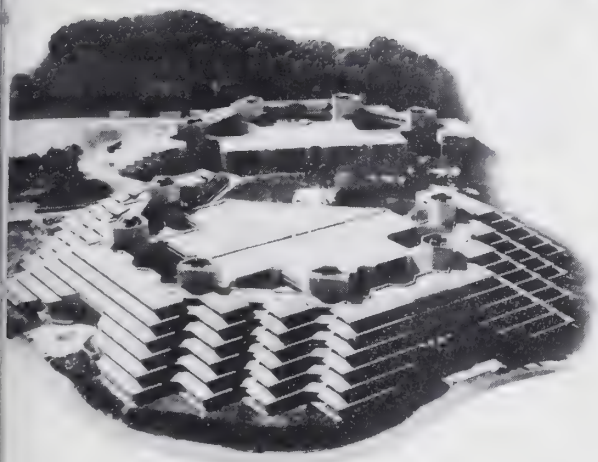
3. Develop a vast research capability so you
can come out with more innovations
than anyone else. Innovations such as
the first copier that automatically copies
on both sides of a piece of paper, the first one that
reduces, etc.

4. Offer the largest selection of copiers
and duplicators. The total so far is 21
(and growing). Because the larger your
selection, the better you'll be able to
give people exactly what they need.

5. Besides offering more copiers, o
more different ways to pay for t
We have the most flexible financ
arrangements in the business—a
more different ways to buy or lease our
copiers than we even have copiers.

XEROX® is a trademark of XEROX CORPORATION

er companies with Xerox.



6. Build the largest training facility in the business—a multi-million dollar facility in, say, Leesburg, Virginia. Then train and re-train your people continuously. Because one of the best ways to keep your customers happy is to take better care of them.

7. Put together the largest service force in the business—over 13,000 people. Because the best way to get new customers is to keep your current ones happy.

8. Maintain a larger parts inventory and a larger parts distribution system than anyone else. Because another good way to keep your customers happy is to take tter care of their copiers.

Of course, the above is just a partial listing. You could do everything on our list and still not catch up with Xerox.

But it's a start.

XEROX

We've got coal to burn

(and nuclear fuel, too!)

Tom Gage
Area Development Manager

Omaha-Southeastern Nebraska is loaded with dependable electric power from fuel sources not subject to embargo or excessive price increases.

Plenty of coal and nuclear fuel produces an abundance of electric power at rates consistently below the national average. An electric utility ready to work with you. A hospitable atmosphere between industry and the community. Southeastern Nebraska's room to grow leaves you room for profit.

Central location, right-to-work law, quality labor supply.

Let Tom Gage at OPPD fill you in. He's Omaha Public Power District's Industrial Development expert.

Clip and send him this coupon or call today (402) 536-4347.

Omaha Public Power District
Member: Mid-Continent Area Power Pool

Tom Gage, Manager of Area Development
Omaha Public Power District
1623 Harney Street
Omaha, Nebraska 68102

Please send me facts on Omaha-Southeastern Nebraska.

Name
Title
Company
Address
City
State Zip

Japan comes to Ohio

Jobs-for-life may be as Japanese as the chrysanthemum, but that tradition isn't likely to come to the U.S. "This is a typical example of the things that we have not imported into this country," Kiyoshi Kawashima, president of Tokyo's Honda Motor Co., said as he dedicated his new motorcycle plant in Ohio *(see p. 61)*. "We are totally aware that a system of laying off workers does exist in the U.S.," Kawashima says, adding that Honda will try to prevent "the need for such things to occur." The plant outside Columbus has 150 workers turning out 70 bikes a day, and the plan is to triple production and double the work force this year. (A Honda auto plant is planned for the same site.) Starting pay is $6.12 an hour and one young woman says she is making $7.44 after six months on the assembly line. "I was working at Rockwell," she says. "I started at $5.80. There were two layoffs and a strike; I worked four months in a year." She was still at $5.80 when she left for Honda. One factor that should help keep Honda payrolls steady in Ohio is their plants' relatively low volume, a planned 60,000 bikes and, later, 120,000 cars a year.

The index that doesn't

No one is happy with the government's Consumer Price Index, the country's principal inflation gauge, but no one seems likely to find something better before 1984 or 1985. "We're just going to have to live with it," says W. John Layng, an assistant commissioner at the Bureau of Labor Statistics, which computes the CPI. Layng concedes charges that the index exaggerates the cost of living by overemphasizing the price of buying and financing a house. It also fails to measure changes in buying habits, like cutting back on gasoline as prices rise. The problem, Layng says, is that there is no agreement on what to do, so the present formula will probably stand until the government can amass a new set of spending statistics. He personally wanted to drop new-home purchases from the CPI altogether and base housing costs strictly on rents. That plan, however, was vetoed and no consensus on an alternative has emerged, he says.

Anti-inflation insurance

Charles Schultze, the President's chief economic adviser, is gingerly edging up to another problem: the fact that millions who don't work are beating inflation, while millions who do work are falling behind. "We are going to take that under very serious study and review," Schultze promises. The present sys helps to insulate 35 million Social Se ty recipients and millions of others federal workers and military ret whose pensions rise with the cos living (Social Security benefits will g 14% this summer). At the same t the buying power of a production wo with a wife and two children has sli 7.3% in the last year. Schultze says Carter Administration decided to l the whole subject alone in its ne moves against inflation because it c see little congressional support. grants, nonetheless, that automatic of-living adjustments, whether in u contracts or in pensions, tend to pe uate inflation. "We would be some better off," he admits cautiously, "i dexing were less prevalent than it is.

The price of cleaner air

When Ford closed its big-car assen plant in Los Angeles in February and 1,700 auto workers out on the stree left one big question hanging. Big were not selling, it's true, but Ford wi going allout next year producing small cars and California is the hea the small-car market. So why coul the Los Angeles plant be converted? reason, Ford points out, is that this w one-shift plant and could not be char to a multiple-shift operation. Again, not? Because an extra shift would put plant over the limit imposed for e sions from industrial plants in Los A les. So market or no market, jobs o jobs, the plant won't reopen.

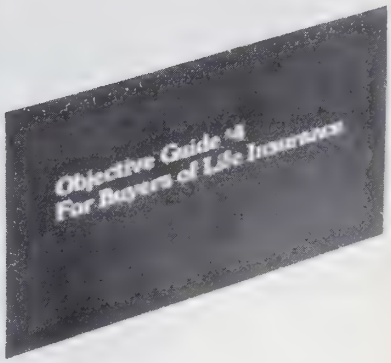
Wipeout in Wheelsville

The automobile dealer, as native as a pie, baseball and Chevrolet, may s turn into the vanishing American. C eral Motors, for instance, is conside selling its cars via catalog. Chrysler already been forced into what amou to the same thing, manufacturing only for which it has firm, written or and not for inventory, as in previ years. Hit by slow sales (Detroit's Three suffered a 14% sales drop in year's first quarter, a 26% slump March alone and a 24% slide in e April), and by ever-tightening credit now costs 21% for funds to carry n car inventories), dealers have been f ing at an alarming rate. Last year m than 600 closed their doors; so far 1980 another 400 have shut down dealers are predicting that one in fiv the 23,000 still in business will go t year. ("God help us, but losing 20% is impossible," says Philip Benton Ford's new North American gen manager.) And these franchises are h

Choosing the right kind of life insurance isn't getting any easier.

Read this booklet before you talk to any agent...even ours.

How to choose a life insurance plan ...best for you.



Until a few years ago, most people needing life insurance simply made a choice between two basic kinds of policies—term insurance or a whole life (cash value) policy. Each had its own distinct advantages and you selected the kind of coverage that best met your particular needs.

But today, there are so many variations of these policies, and so much overlapping of features, that it's becoming increasingly difficult to know the kind of policy that will best fit your personal, family or business situation.

That's why The Bankers Life of Des Moines is offering an informative new booklet that explains the differences between the basic types of policies and tells you what each can...and can't do...to provide the kind of protection you need. Reading it will help you buy life insurance wisely by making you better able to discuss your needs with your agent...even if he isn't one of ours.

Mail the coupon for your free copy today. If you wish a sales representative to call, indicate in the coupon below. We figure the more you know, the more likely you are to call us.

THE BANKERS LIFE

BANKERS LIFE COMPANY DES MOINES, IOWA 50307

The Bankers Life, Consumer Services FB-50
Des Moines, Iowa 50307

Please mail me your booklet "How to Choose a Life Insurance Plan."

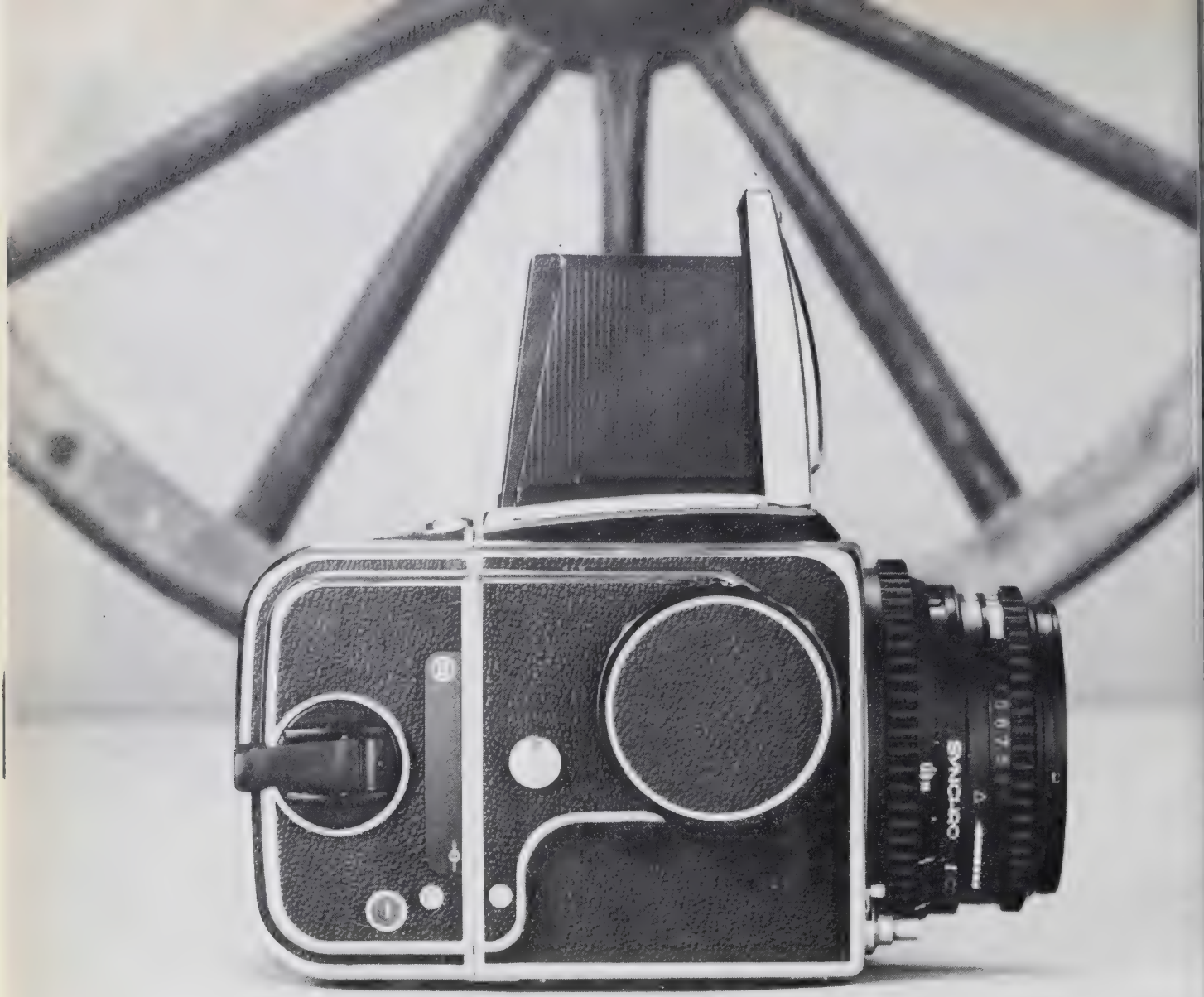
☐ I'd like someone to call.

Name_____

Address_____

City_____

State_____ Zip_____



Great ideas last forever

Great inventions have the power to forever change the past.

Victor Hasselblad changed the face of photography forever with the invention of the Hasselblad fully interchangeable camera system.

Never before and never since has there been a camera system to equal the Hasselblad–the *standard* of versatility and quality around the world. That's why Hasselblad is the overwhelming choice of professionals in every area of photography, from fashion to photo-journalism.

At the heart of the Hasselblad System is the 500C/M, with its interchangeable lenses, film magazines, viewfinders and film winder. The possibilities for adapting this basic camera to your own purposes are limitless: 22 different lenses, 7 film magazines, 8 viewfinders, 3 winding devices, 4 focusing screens, and a vast array of specialized accessories.

The Hasselblad 500C/M is easily held in the palm of your hand, yet it gives you the quality advantage of its large $2^1/_4 \times 2^1/_4$ negative size.

The Hasselblad System has made a profound contribution to photography. It could make a profound difference to you. For a luxurious folder, write to:

HASSELBLAD

Victor Hasselblad Inc.
10 Madison Road, Fairfield, N.J. 07006, USA

me-store operations. A U.S. car deal-
erages $5 million in net worth and
total sales volume probably runs
e $4.5 million. But today's arithme-
s against him. A typical dealer sells
or so cars a year at gross profits of
to $750 each. At today's interest
it costs $150 or more to keep a car a
th, which means that any model
sits on the showroom floor very long
return no profit at all. And this
ıg, dealers are buried under 1.6 mil-
new cars, including many left over
1979.

The Fed's missionaries

Federal Reserve is taking no chances
its new curbs on consumer credit.
restraints, proclaimed under the
lit Control Act, require companies
ting certain criteria to file reports on
it with the Fed and in some cases to
noninterest-bearing deposits with
system. The New York Fed is taking
lead in missionary work to ensure
everyone supposed to report is in-
doing so. In its latest move, the
York bank teamed with those in
on and Philadelphia to run an unpre-
nted newspaper ad warning that "if
company extends credit to consum-
nd had more than $2 million in such
it outstanding on Mar. 14, you
ıld be in contact with your local Fed-
Reserve Bank." To drive home the
t, the copy concluded: "Failure to
ply could result in civil or criminal
alties." The campaign—which in-
es meetings with retail and door-to-
operations, nonretail creditors like
companies and the use of mailing
—is intended to reach businessmen
companies that may not think of
nselves as credit organizations—
k clubs, dance studios, publishers and
ers. The $2 million figure for receiv-
s was selected on the presumption
it would cover companies with sales
5 to $10 million, thus screening out
ısands of mom-and-pop operations.

Caveat vendor

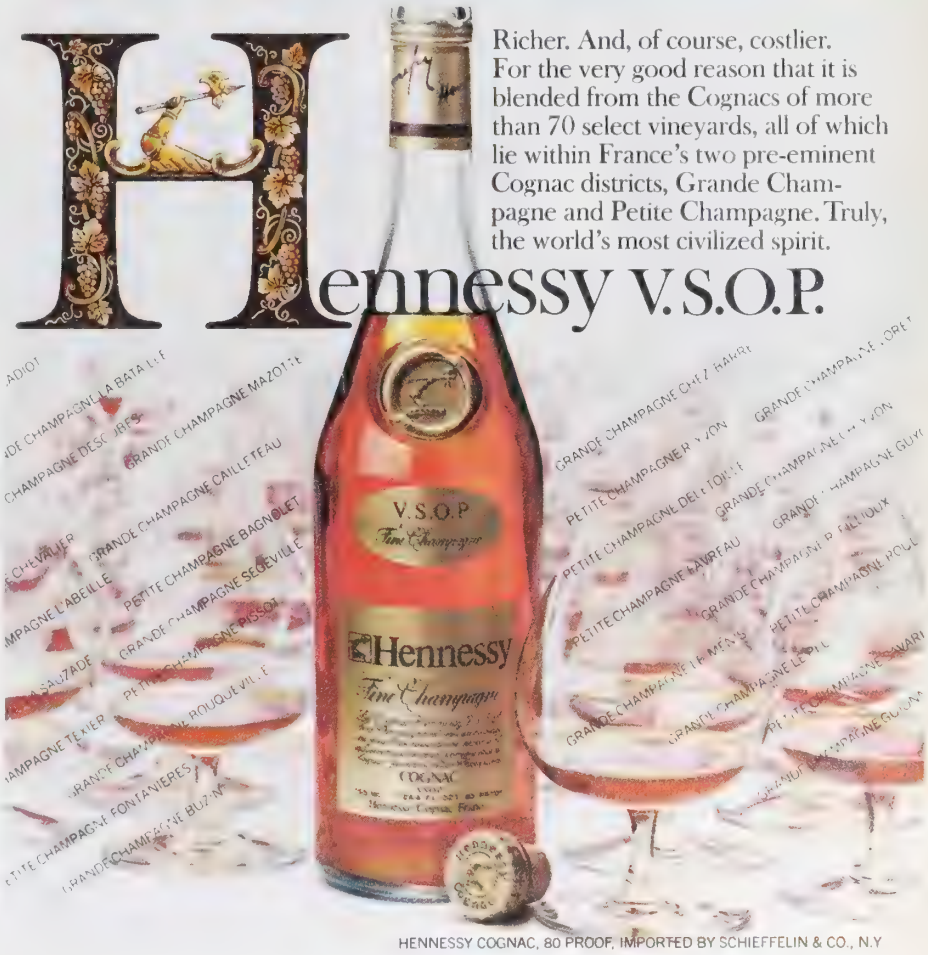
paradox in the high-priced coop
tment market—owners hot to sell,
ers chilled by staggering mortgage
s—has created a new hunting ground
the eternally vigilant con man. One
Yorker with a luxury apartment for
was overjoyed recently when a dis-
uished-looking, well-dressed pros-
t showed up on his doorstep. An in-
tion tour produced a tentative offer
then a demurrer: The prospect want-
o check another flat before making
firm decision. Only later did the
spective sellers discover that a few

EXECUTIVE PRIVILEGE

You find it in the club-like atmosphere at The Sheraton Towers atop New York's Sheraton Centre. Private check-in at The Towers Club on the 46th floor, reached by express elevator. Elegant rooms and suites for the executive lifestyle, with extras like thick terry robes, electric blankets and 24-hour room service. Complimentary continental breakfast, served by a butler, at the exclusive Towers Club. Ask your travel agent, or call for reservations (800) 325-3535 or (212) 581-1000.

The Sheraton Towers

AT THE SHERATON CENTRE, 7TH AVE. AT 52ND ST., NEW YORK



Richer. And, of course, costlier. For the very good reason that it is blended from the Cognacs of more than 70 select vineyards, all of which lie within France's two pre-eminent Cognac districts, Grande Champagne and Petite Champagne. Truly, the world's most civilized spirit.

Hennessy V.S.O.P.

HENNESSY COGNAC, 80 PROOF, IMPORTED BY SCHIEFFELIN & CO., N.Y

INTRODUCING: ROVER

MORE THAN JUST A BEAUTIFUL CAR.

LOGICAL AS A SEDAN . .

From the first one-cylinder Rov
1904, to the world's first gas-tu
car, to the legendary Land Rover
Rover marque has commanded g
respect among motor enthusiasts.

Rovers have always been soli
novative and sensible road cars.
today's new Rover 3500 is anc
statement of pure engineering l

The Rover makes sense beca
under one dramatic shape, it comb
several quite disparate functions.

First of all, the Rover is a ma
cent road car, with the quick refle
of rack and pinion steering, deci
disc/drum brakes and a five-sp
manual or optional automatic tr
mission linked to a quick 3.5 liter
minum V8 engine.

Rover is also a practical wa
with its broad hatchback and the
down rear seats, which create a la
flat, carpeted, functional loadsp

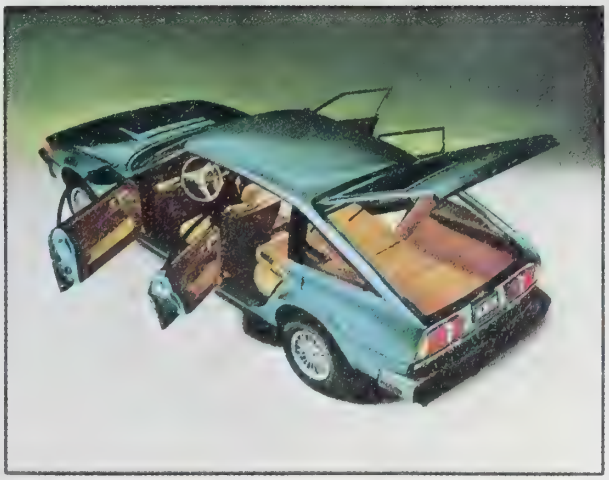
And, above all, the Rover is
eminently comfortable four-door,
passenger sedan. It will carry
and your family quickly and in sile

. PRACTICAL AS A STATION WAGON . . . . . RESPONSIVE AS A SPORTS CAR.

ounded by many thoughtful and irable touches.

ıside and out, the Rover is engi-ıred to blend beauty with func-ality. The aerodynamic shape of the graceful as it is to see, has been ıed in wind tunnels. Its balanced ile, coupled with a front "spoiler," imizes lift at high speeds and gives car outstanding road-holding ability n in strong crosswinds.

ıside, the Rover engineering logic ks to make every trip a pleasure both driver and passengers. The ıfortable seats are upholstered in velour. The carpeting is cut-pile ric molded in one piece for better fit. The elegant, practical dashboard displays all the expected instruments, plus useful lights that warn you if fuel, coolant, brake fluid, or oil pressure are low; if there is a failure in any of three exterior lamp systems; if headlights or directional signals are on; and to fasten your seat belt. There are convenience features like cruise control, power windows and door-locks, a signal-seeking 4-speaker stereo AM/FM radio and cassette deck and air conditioning. And it is all standard equipment on every Rover.



The logical Rover also brings you innovative safety features. Among the many ideas, there are Triplex Ten-Twenty safety glass, an energy-absorbing steering column and struts in all doors to help restrain longitudinal crush forces.

The sum of all this engineering expertise and design skill is an eminently logical, exciting and pleasurable road machine for the 1980s.

Discover how beautiful a beautiful car can be. For the name of the Rover dealer nearest you, call these numbers toll-free: (800) 447-4700 or, in Illinois, (800) 322-4400.

Jaguar Rover Triumph Inc.
Leonia, New Jersey 07605.

Charter

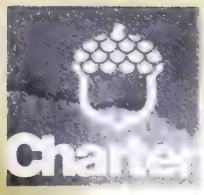
ASSETS	1979	1978
Current assets		
Cash (including restricted cash of $23,570,000 in 1979)	$ 95,632	34,161
Receivables	333,071	200,210
Inventories	348,180	69,221
Prepaid expenses	16,971	8,864
Total current assets	793,854	312,456
Investments		
Bahamian refinery operations	408,635	–
Charter Security and other affiliates	55,060	13,812
[illegible]	44,342	88,227
	508,037	102,039
Property, plant and equipment		
Cost	395,188	275,143
Less accumulated depreciation, depletion and amortization	92,889	67,885
	302,299	207,258
Intangibles resulting from acquisitions, net	73,023	45,782
Other assets	51,481	22,268
	$1,728,694	689,803

LIABILITIES, REDEEMABLE AND NONREDEEMABLE PREFERRED STOCK, COMMON STOCK AND OTHER STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable	$ 858	–
Current installments of long-term debt	23,363	10,022
Accounts payable and accrued expenses	448,886	197,311
Income taxes	28,208	6,754
Total current liabilities	501,315	214,087
Long-term debt, excluding current installments	416,087	182,086
Subordinated debentures, net of discount	84,412	44,007
Deferred income taxes	41,728	34,466
Deferred credits and minority interest	36,828	29,020
Redeemable preferred stock	1,439	20,268
Nonredeemable preferred stock, common stock and other stockholders' equity:		
Nonredeemable preferred stock	123,933	8,750
Common stock, par value	20,166	17,463
Additional paid-in capital on common stock	57,268	36,250
Retained earnings	449,629	106,616
Net unrealized loss on investment securities, net of income tax benefit (includes $4,111,000 for an unconsolidated subsidiary in 1979)	(4,111)	(3,210)
	646,885	165,869
Commitments and contingencies		
	$1,728,694	689,803

December 31, 1979 and 1978

On balance, you'll agree that our future looks bright.

The 1979 balance sheet is the strongest in Charter's history, reflecting a 121% increase in return on average stockholder's equity, a 50% debt-to-equity improvement to .7:1, a 110% increase in revenues, a 248% improvement in stockholders' equity, and a 1469% increase in earnings. For the story behind the company's strong financial foundations for the 80's write for our annual report. Park L. Beeler, The Charter Company, Post Office Box 2017, Jacksonville, Florida 32231.



The Company to watch in energy, insurance and communications.

ısand dollars' worth of jewelry had ppeared with the would-be buyer. As urned out, they were lucky. They ned later that the same apartment-ting operator had liberated $20,000 ewels from another spot on his list. nt money, it seems, only opens the r for light fingers.

The man with the hoe

as they did in 1975, Americans are ıg back to the soil and planting vege-e gardens. Last time it was recession drove them; this time it's inflation. least 37 million households will be ıting vegetables this year, the Agri-ure Department says, with tomatoes, shes and onions still popular and po-es, cabbages and other greens gaining ınd. "There's an obvious shift from amentals to edibles," according to an cial at Burpee, the big seed supplier. ople want things they can eat rather n just look at." Ray Brush of the erican Association of Nurserymen s both vegetable and fruit-tree sales "way up" this year. Brush figures a kyard farmer can save $25 to $100 on d bills and estimates for experienced deners with big plots run as high as 0. An Agriculture Department horti-turist, Ricardo Gomez, thinks that "if don't count your labor, you'll prob-y get $5 to $10 back for every dollar nt on a garden." Not that gardening is otal escape from inflation. Last year average packet of seeds cost 55 cents 60 cents; this year's average is 65 ıts to 75 cents.

The dying iron horse

ıtrak, the iron lung Washington cre-d to keep rail passenger traffic alive, is otal failure, concludes UCLA econo-st George W. Hilton in a new study for American Enterprise Institute. It ts Amtrak 22.3 cents per passenger-le to operate, he says, while it collects average fare of only 8.3 cents. (Buses' rage costs are 4.9 cents, airlines' 7.9 ıts per mile.) Even the New York to shington Metroliner, one of the sys-n's crack trains, loses more than $7 on ry passenger it carries. Except for ety, Hilton sees little to justify the ple-carrying iron horse. Automobiles, says, are just as fuel-efficient, buses 3 ıes so; only airlines require more fuel mile. So Hilton is suggesting that sidies for Amtrak be scrapped so ney-losing routes can die a natural th. Those subsidies have climbed m $22 million in 1971 to $543 million t year, he notes, for total losses of $2.5 ion.

IT TAKES PRODUCTIVE WORKERS TO MAKE A GREAT LOCATION A GREAT LOCATION.

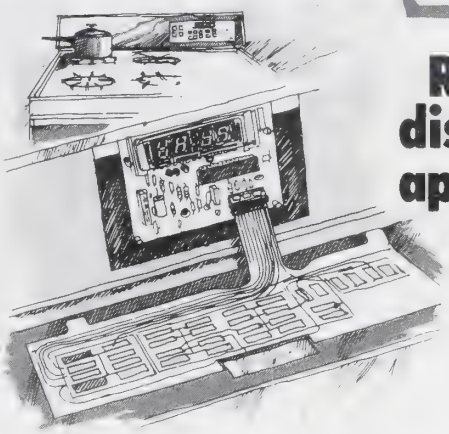
Worker productivity far above the norm is only one reason Arkansas is The Great Location.

"A day's work for a day's pay" still means something in Arkansas. The state's workers are not only trainable and economical, they're highly motivated.

And the energy exhibited by Arkansas' workers is only one of many types produced in Arkansas. Nuclear electricity, petroleum, natural gas and all forms of coal are found within the state's borders.

For further information, please write or call Arkansas Department of Economic Development—F, One State Capitol Mall, Little Rock, Arkansas 72201. (501) 371-7675.

ARKANSAS



Robertshaw's discovery gives appliance makers new design freedom with assembly line economies.

Robertshaw research has developed a new way to send touch signals through a solid glass panel to a printed circuit (PC) board that operates appliances by micro-electronics. Instead of having to match a customized PC board to the glass panel size,manufacturers can now use a standard PC board for all designs. A simple flexible connecting strip is cemented to the glass panel. The result: savings in assembly plus freedom in styling and design.

Robertshaw innovations have advanced the state of the art in appliance controls since 1899. Leadership in supplying appliance makers is one of many consumer, industrial and commerical fields that benefit from Robertshaw's 10,000 products. For details, write to Robertshaw Controls Company, Dept. ACMF, P.O. Box 26544, Richmond,VA 23261. Or call 804/281-0700.

Exports: Call Robertshaw International Operations, 804/285-4161

Robertshaw®

The Energy Control Company

put muscle in your Heat Transfer applications

Specify Young Heat Transfer Products. That's your assurance the radiator, oil cooler and other cooling system components are going to stand up to the vibrations, the jolts, the shocks—to those tough applications that test the character of each vital part. Call us at (414) 639-1010.

Young
RADIATOR COMPANY

2825 Four Mile Road
Racine, Wisconsin 53404

CHANGE OF ADDRESS

If you are moving, let us know six weeks before so we can keep Forbes coming. Enter your new address on this form and return it with a recent mailing label from the magazine.

NEW SUBSCRIPTION

To order Forbes, enter your address on this form and check the subscription you prefer. ☐ 1 year $27.00 ☐ 3 years $54.00 (the equivalent of one year free). Canadian orders, add $4 a year. Pan-American and Caribbean orders, add $5 a year; other foreign, add $15 a year.

Subscription Service Manager
Forbes, 60 Fifth Avenue
New York, N.Y. 10011

ATTACH MAGAZINE MAILING LABEL OR WRITE SUBSCRIBER NUMBER HERE
(see above name on label)

Name (please print)

New Address

City

State

Date of Address Change

Follow-Through

Bridge game

Matty Moroun is a little-known Detroiter who runs a family-owned trucking company and has long hankered to own the toll bridge that links the Motor City with Windsor, Ont. The only major privately owned international toll bridge left in the U.S., it remained stockholder-held because the Canadian government stymied attempts by private investors to buy it. "Moroun, however," FORBES reported a year ago *(Apr. 16, 1979)*, "seems to have found a way around that."

As it turns out, Ottawa did block Moroun on one front, but he outflanked it. The scenario went like this: First, a genuinely Canadian, but Moroun-backed, company called Fallbridge Holdings Ltd., owned by a Toronto family, tried to buy out the Canadian owners of half the span. But when Ottawa read the fine print it discovered Moroun's loan could be converted into 97% ownership. The government promptly got an injunction in a Canadian court barring Fallbridge from buying Canada's half.

The trouble was their failure to look across the Detroit River, where Moroun was buying up the Detroit International Bridge Co., a U.S. firm that owned both the Detroit side of the span and, through a Canadian subsidiary, the other end as well. So while Ottawa was blocking Fallbridge, Matty Moroun was acquiring the crossing, lock, stock and toll booths (which take in about $8 million a year). Ottawa is still negotiating with Moroun, presumably to work out a way to save face and keep some form of Canadian presence in the operation.

The Canadian cabinet can be forg for overlooking something. Maste vestor Warren Buffett had sought Ambassador Bridge, too, and Mo beat him to it, a rare happening for Buffett. The Detroiter keeps a very profile, so low that about all an knows for certain is that his nam pronounced "maroon," like the c and that his family's trucking comp Central Cartage, does about $200 mi to $250 million a year.

Oil's murky future

More than two years before OPEC' producers upended the world's en economy by quadrupling their price crude, Wanda Jablonski, founder publisher of the authoritative *Petrol Intelligence Weekly*, had told FORBES *(J 1, 1971)* with frightening accuracy w dependence on fuel imports could "The lure of cheap Middle East cru she said, "is causing the U.S. to bec dependent on it—to the neglect of dor tic alternatives for energy: coal, tar sa gas and nuclear energy." Higher price oil, she predicted, might mean salva by making it more rewarding to inves energy alternatives, "and if this mea tough period for oil companies, the c sumers, too damn bad."

The U.S. is struggling now with "too damn bad" situation and even redoubtable Jablonski shies away fr any such sweeping forecasts for 1980s. "There are no roadmaps," says. The only certainties she can see that "oil will be increasingly scarce, s ject to supply crises and vulnerable

Detroit's Ambassador Bridge

What Matty Moroun wants, he gets.

Your next right-hand man can talk, sell, demonstrate, instruct. And even make you a star.

Your next right-hand man should be a Panasonic VHS video system because it can help you do the impossible: Like being in more than one place at once. Or doing more than one job at the same time. Or both.

And, as many different companies already have discovered, the number of ways you can use your Panasonic video system is limited only by your imagination: For example, while you're busy working in your office, you can also be talking to stockholders or people at distant branches. Or both. You can refine sales presentations for use whenever you need them. Or demonstrate complicated techniques to audiences miles away. You can instruct new employees or retrain present ones. You can even inspect real estate across town or across the country—without getting out of your chair.

You can start with a basic system, a Panasonic video tape recorder, camera and monitor, for example. Or you can have a more sophisticated system, choosing from the broadest line of equipment in the video industry, including a 2-hour video recorder with 2-track audio, a 2-hour video recorder that's portable, studio cameras, portable cameras, switchers, color monitors, microphones and much more. And they're all ideal for business and industrial use.

Finally, with a Panasonic video system, you can see what you've got as soon as you shoot it. Without waiting. Without expensive film processing. And if you don't like what you see, you can erase the tape and shoot it over again. So you can save time and money.

There are still other reasons to make a Panasonic video system your next right-hand man: It'll do everything your way. It never forgets anything. And it can even make you a star.

TV pictures simulated.

Panasonic®
just slightly ahead of our time.

Panasonic Company, Video Systems Division, Dept. FBS-580
One Panasonic Way, Secaucus, N.J. 07094
Send me more information on how the Panasonic right-hand man has helped other businesses, and how it can help me.

Print name _____

Title _____

Company _____

Address _____

City/State/Zip _____

Phone (____) _____

In Canada, contact Panasonic Video Systems, Mississauga, Ontario

You gain.

Puerto Rico offers you the best "bottom-line" tax structure in the United States!

fact: Lowest taxes under the U.S. flag.
fact: Your first $100,000 net profit—tax free.
fact: You could earn $1,000,000 in profit...and pay only $26,000 in taxes.
fact: $1,935,000,000 in American business profits in 1978—up 46% in two years.

We gain.

Puerto Rico is attracting more American businesses than ever.

fact: Since 1977, an additional 386 American businesses opened subsidiaries.
fact: Since 1977, over 23,000 new jobs have been created on the island.
fact: Since 1977, $600,000,000 (the most ever) has been invested in roads, ports, communications.
fact: Since 1977, Puerto Rico's net income has grown to $7,748,600,000—ahead of 13 mainland states.

Puerto Rico, U.S.A.

The ideal second home for American Business.

A partnership that works.

For more information: Write us on your company letterhead, Puerto Rico Economic Development Administration, Dept. FB-12, 1290 Avenue of the Americas, New York, New York 10019.
Or call us, toll free (800) 223-0699 ext. 228

© 1979 Puerto Rico Economic Development Administration

itical interruptions." Signs of a world plus are certainly visible (the spot rket is softening, for example) but, ss Jablonski notes, customers are still tracting for oil at any price. "Buyers panicky," she says. "They must en- e sources and can't offend any rces. Buyers are no longer buyers in old conventional sense." (Iran, for tance, has been selling crude for close $35 a barrel when the products refined n it were bringing in only $29.)

A contract is a worthless piece of er," Miss Jablonski sums up, "but a chology of fear has oil-desperate oil- n buying anyway." This despite their owledge that oil prices can change any . In 1971, she recalls, "you could see demand growth, the supply and the between them."

Miss Jablonski's wariness should pro- e some consolation to businessmen l bureaucrats bewildered by the mud- d oil picture. Her expertise certainly is re sought after than ever. In 1971 her oscribers included the world oil com- nies and 73 countries. Today her gov- ment clients alone represent more n 100 countries and her subscription ce, $445 a year in 1971, is now $850.

The two-hatted chairman

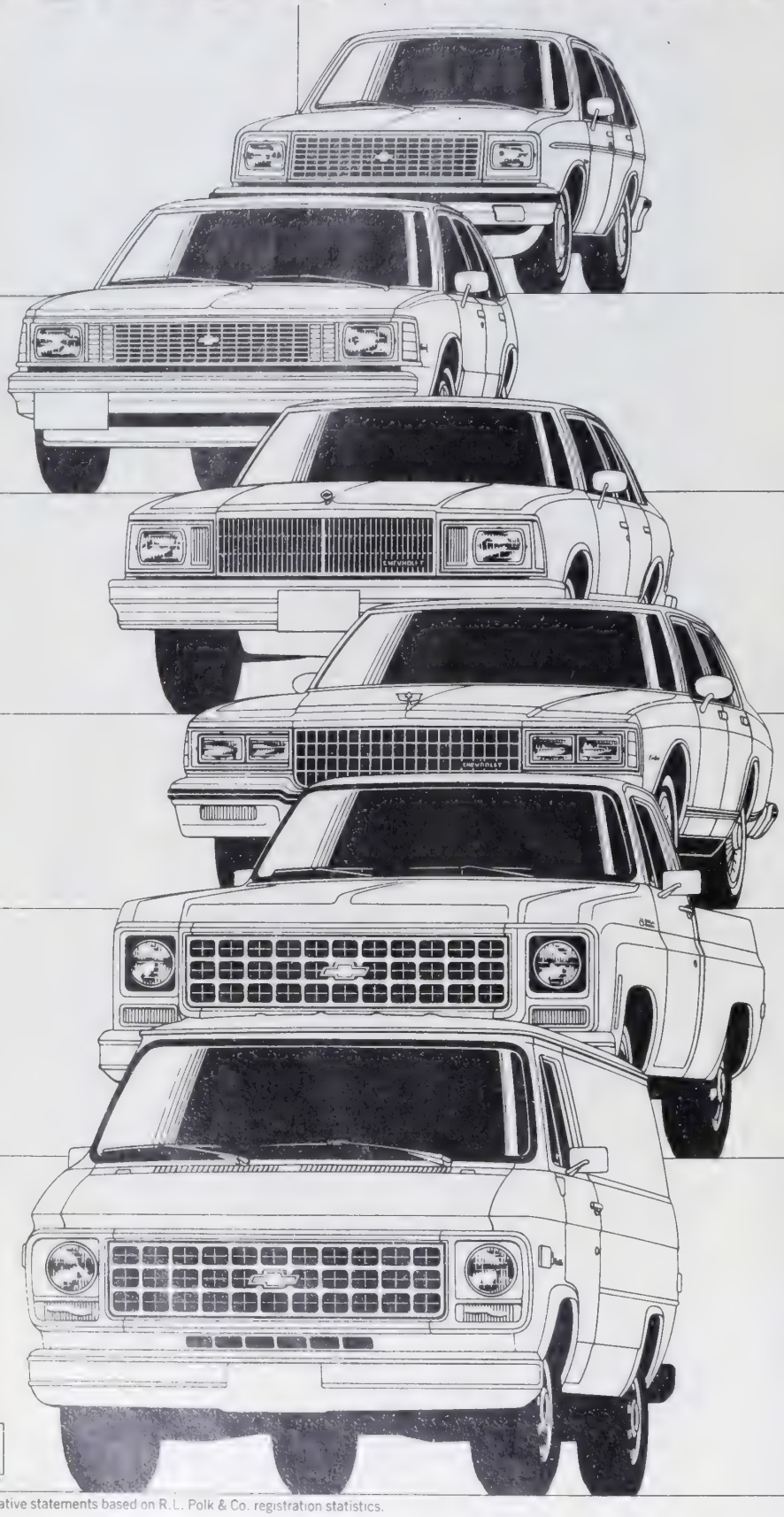
n M. Seabrook, the silver-haired chair- n of IU International, bristled angrily en FORBES asked him last year (*Dec. 24, 79*) why he had chosen to spin off the Philadelphia conglomerate's Gotaas- rsen shipping subsidiary to IU share- lders instead of getting cash for it. "If 'd sold it and kept the money, it would ve been *taxable*," he said then. "But t's what most other managements uld have done—sold it. Because few nagements are willing to reduce the ets under their control." "Whether the w setup will prove consistently more ofitable than the old one," FORBES not- "remains to be seen."

Chairman John M. Seabrook
e and dandy in Philadelphia.

100% NEUTRAL SPIRITS DISTILLED FROM GRAIN 80 PROOF. GORDON'S DRY GIN CO. LTD., LINDEN, N.J.

It's crystal-clear.
It's a bit more expensive, but for an impeccable dry Martini, the world comes to Gordon's.®

Follow the leaders.



Chevy Chevette.
The leading small car.
America's top-selling subcompact, And a big reason why Chevrolet leads everybody in small-car popularity. Including imports.

Chevy Citation.
The leading front-wheel-drive car.
The most popular new car ever introduced by Chevrolet. And when you look at all it does for you, you can understand why.

Chevy Malibu.
The leading mid-size 4-door.
Chevrolet Malibu: two names that mean value. And it shows in Malibu room, Malibu comfort, Malibu price, and Malibu 1979 sales.

Chevrolet. The leading full-size car.
The New Chevrolet Caprice and Impala. When it comes to full-size value, these are the full-size cars fleets come to—year in, year out.

Chevy. The leading truck on the road.
There are more Chevy trucks on the road than any other make. Look into Chevy's C10 pickups which feature Massive Girder Beam suspension and double-wall construction.

Chevy Van. The leading van lineup.
Chevy is America's favorite van based on calendar year 1979. And when it comes to maximum payload capacity, Chevy's most popular van surpasses its nearest sales competitor's most popular van by over 400 lbs.

GM

Comparative statements based on R.L. Polk & Co. registration statistics.

CHEVY CARS AND TRUCKS. CHEVY DEALERS, CHEVY PEOPLE: THE PROVEN PERFORMERS.

Chevrolet

Follow-Through

Our shareholders are very happy," brook says now. "Even in a down rket, the spinoff has resulted in good ue for them. IU's price has held at els above where they were before we sidered the spinoff, and the price of taas-Larsen has been thrown in as an ra bonus of $2 to $3 a share."

The numbers seem to bear him out. neone who bought IU before the spin- was announced would have paid out $11 a share, say $3,300 for 300 res; after the breakout, the buyer uld have been given 100 Gotaas-Lar- shares. In mid-April 1980 that share- der would have IU stock worth about 400, plus G-L shares worth about 00. And that was after the market had ne into its spring tailspin.

eabrook, who became chairman of h companies when they were split, ls justified. "As predicted," he says, ich stock is now developing its own nogeneous group of shareholders who pond better to its particular character- ics. Gotaas-Larsen has begun to at- ct strong interest from Europe. IU is y, very happy to be free of all that ating-rate debt in these times of a 20% me rate." He also notes: "We've just sed the best quarter in IU's history for h earnings and revenues, so we must doing something right."

And what about his two chairman's ts and the fact that he is paid by both taas-Larsen and IU—points that RBES had reservations about? He does ar the hats but they are hardly the ne size. He is not the chief executive Gotaas-Larsen, only one of its direc- s. The compensation he draws is a ector's fee of $16,000, hardly a big deal en his pay as IU's chief executive was andsome $674,000 in 1979.

Not-so-hidden treasure

e Sun Co.'s blockbuster $2.3 billion sh offer for just part of the oil and gas ds owned by Seagram, the big Canadi- -American whiskey firm, took Wall eet by surprise—but it needn't have. A l year before Sun talked to the distiller out its often overlooked energy assets, RBES *(Apr. 16, 1979)* talked to Geoffrey rtel, chief oil analyst at Houston's Ro- n Mosle Inc., about Seagram. Hertel d then: "Everyone thinks of Seagram a liquor company and it sells for $30 a are and a low multiple. But its growing and gas reserves today are conserva- ely worth $20 to $25 a share alone." rtel was indeed on the conservative le. A value of $25 a share, his outside timate, worked out to about $875 mil- n, only a little more than one-third of at Sun has offered.

Asarco is positioned for the 80's...

with **the facilities to produce essential metals.**

In the decade of the 80's, America's need for nonferrous metals is expected to increase at a steady pace. As the world's largest, most diversified custom smelter and refiner, Asarco is in a good position to help meet the nation's demand for copper, silver, lead, zinc and other metals.

Many mining companies do not have the facilities to convert their ore into metals. To service them, and to process the ore from its own mines, Asarco operates six smelters and four refineries in the United States. Our Amarillo, Texas, copper refinery and our lead smelter and refinery in Glover, Missouri, are the most modern in the nation.

In terms of refined metal production in 1979, Asarco ranked first in the U.S. in silver, second in copper and lead, and fourth in zinc.

For more information on Asarco, write for the latest copy of our Fact Book. ASARCO Incorporated, 120 Broadway, New York, N.Y. 10005.

ASARCO
Metals & Minerals

Don't stand still for the 80's.

Don't get stuck with a franchise that can't change with the times.

Over 26 solid years, Shakey's has continuously evolved, developing new products and operating techniques to maintain a strong competitive position.

In the process, we've grown from one to over 450 units.

And the 80's look even brighter.

With an expanding and versatile menu. And with a new restaurant format emphasizing customer service and comfort, and featuring our deluxe "Market Street Fruit and Vegetable Stand" salad bar. All backed by a pizza product that's been proving itself every day since 1954.

If you'd like to be as excited about the 80's as we are, let's start moving.

Shakey's Incorporated, Attn: M.G. Thompson, 3600 First International Building
1201 Elm Street, Dallas, Texas 75270. (214) 741-5801.
I'd like to know more about Shakey's franchise program for the 80's.

NAME _____
ADDRESS _____
CITY _____ STATE _____
PHONE _____ ZIP _____

Shakey's.
A subsidiary of Hunt International Resources Corporation

Readers Say

Proliferating governmen

SIR: Your article "New rain on c parade" *(Apr. 14)* is not only the ne and most timely analysis of coal versu versus other fuels, it is also the n accurate and incisive. The Carter Adr istration has effectively trashed the P dent's own campaign promises that Government would be curtailed, w contributing more to its prolifera than has any previous administration

—E.B. Leisenring Jr.
Chairman,
Westmoreland Coal Co
Philadelphia, Penna.

Chile in transition

SIR: The article on Chile (FORBES, *31)* was in refreshing contrast to "bad press" other publications usu accord this nation. I spent five week Chile last year on assignment with International Executive Service C and worked with a private health-c provider—La Asociación Chilena de guridad. The free-enterprise syst seemed to be thriving. The people ten to speak of the Junta government something transitional and appropri for the present. The average Chilean pressed us as uniquely outgoing, rela and cheerful, and it would be difficul think of him as repressed or fearful. A importantly, there was widespread spect and affection for the U.S.

—H. Martin Engle, M.D.
Solana Beach, Calif.

SIR: Most of Chile's economic woes w due to the American government's p cy of encouraging internal strife, clos international markets and halting Wo Bank loans. According to your intervi all that country needed to regain cont of its economy was a handful of Chica educated specialists—aided, of course, a few years of terror and murder to h bring the private sector into line.

—Richard H. Weil,
Pierre, S.Dak.

Florida standards

SIR: As a businessman accustomed reading corporate financial reports, I t have been appalled by the confusing r ture of public sector financial repo ("You can't fight city hall—if you ca understand it," *Mar. 3*). In Florida, have taken steps to solve this. Local g ernments must submit to an annual a dit by an independent CPA and mu furnish the state with a copy of the aud

Wang.

The future of the office.

Who knows what tomorrow's office technology will be like?

Wang knows.

Because we offer it today. For example, our new Integrated Information Systems allow one person to perform data processing, word processing, high-speed image printing and worldwide communications — from a single workstation.

We also know that people approach the future from different directions. Which is why we offer both large computers that do word processing and large word processors that manage data. Our family of total systems meets your special needs. To grow upward or outward, you simply add compatible, modular components. So as you build toward the future, you protect your initial investment.

We know, too, the importance of support after the sale. Our worldwide staff is committed not only to supporting you today — but to helping you anticipate tomorrow's requirements. Because to keep productivity at its peak, it helps to be ahead of your time.

I want my future told. Send me details on Wang Integrated Information Systems.

Name _____

Title _____

Organization _____

Address _____

City _____ State _____ Zip _____

Phone _____

Send to:
Wang Laboratories, Inc.
Lowell, MA 01851
(617) 459-5000

IIS1/FB50

WANG

1980 Wang Laboratories, Inc., Lowell, MA 01851

The problem with cheap labor is it isn't cheap.

At one time, "hire and fire" was an accepted way of life.

Not any more. Government legislation and the social programs demanded by labor and activist groups have made low-cost seasonal and temporary help a thing of the past.

One alternative is to simply pay the price of temporary help and pass the cost along to the consumer.

Another alternative is to install a Bodine assembly machine.

When you look into it, you'll see there's really no comparison. A Bodine machine can increase productivity by increasing the speed and efficiency of your small parts assembly. In fact, a Bodine machine may be able to save you up to 95¢ of every dollar you spend on small parts assembly—and give you 100% inspection of all parts and position, at the same time.

The figures are dramatic. But we've got the facts to back them up. See for yourself. Call or write our Vice President, Frank Riley at The Bodine Corporation, 317 Mountain Grove St., Bridgeport, CT 06605. (203) 334-3107.

Bodine

ed statement and auditor's comments addition, the chief executive officer each local government must respond writing to the auditor's comments furnish the state with a copy of t response. Also state law requires f funding of pension obligations.

—Philip D. Lewis
President,
The Florida Senate
Tallahassee, Fla.

New title

SIR: Re your article on Northwest Ene Co. and its role in the proposed Alas natural gas pipeline *(Mar. 31)*, if I have play the role of the mouse, I hope yo next article will be entitled "The mou that roared."

—John G. McMillian
Chairman,
Northwest Energy Co.
Salt Lake City, Utah

Falling insert cards

SIR: Re your comments *(Fact and Co ment, Apr. 14)* on loose subscription car What has always amazed me is h these cards remain in the magazi while it's being delivered through t mails, and then when the reader picks the magazine it falls out!

—Charles H. Hare
Wheeling, W.Va.

SIR: This is one vote of thanks for yo providing a free placemark.

—A.W. Blackwood
South Plainfield, N.J.

Thanks. The other 99 letters were, to u derstate it, unenthusiastic about ins cards—MSF.

Store gas now!

SIR: If ever there was a time to quick build up that government petroleu stockpile, this should be it! (FORB "The bloodbath in gasoline," *Apr. 2* Will Washington flub things once agai

—R.E. Bate
Ho-ho-kus, N.J.

Change tactics

SIR: Re your editorial "To get ourselv in meaningfully military shape" *(Fo and Comment, Apr. 14)*. If one-half of planes and tanks in the 1973 Israeli W were destroyed in just two weeks, wh

I guess I know we can't relive our honeymoon.

But the romantic in me sure wants to try.

THE DIAMOND ETERNITY RING.

The anniversary gift that says you'd marry her all over again.

The ring shown (enlarged for detail) is valued at about $2,500. Prices are subject to change. A diamond is forever. De Beers.

THE MANUFACTURERS HANOVER SECURITIES AND INVESTMENT COMMITMENT:

IT'S WORKING ON WALL STREET...

...and on LaSalle Street and Montgomery Street and Threadneedle Street as well. It's part of our total banking philosophy — proven credit alternatives combined with premier operations support.

The premier operations bank for businesses, banks and governments around the world, Manufacturers Hanover is known for its accuracy and consistency.

TRANSIFAC℠, for example, our fully on-line stock transfer and registration system, is a truly "real time" operation. Shareholder information is fed immediately into our computers for unparalleled accuracy. We now mail out some $3.4 billion a year in dividends and interest to shareholders in every state and overseas.

In other operations areas, every business day we clear more city, state and U.S. Government securities than any bank in the world. And we've made a commitment in hardware, software and "peopleware" to make our Master Trust service second to none.

Credit. Operations. And the integration of both to create a total financial relationship of the highest standards — anywhere in the world.

MANUFACTURERS HANOVER

The financial source.Worldwide.

Member FDIC

People Caring for People

Since Hospital Corporation of America's founding in 1968, our foremost objective has been to improve the quality of health care in communities which we serve. Our company now owns and manages more than 150 hospitals with over 22,000 beds in the United States and internationally.

HCA is proving that hospitals can be operated more efficiently through private enterprise. By utilizing the many resources available within our multi-hospital system, we achieve major cost savings for each of our hospitals and the communities they serve.

Hospital Corporation of America has maintained a steady and predictable rate of growth well in excess of 20 percent per year since its beginning. For more information, call or write Hospital Corporation of America, One Park Plaza, Nashville, TN 37203 (615) 327-9551.

Hospital Corporation of America

Readers Say

don't we shift away from this foo
World War II game of obsolete tac
and outmoded equipment? Texas Ins
ments has nonnuclear missiles. Ten g
in five jeeps can very probably knock
20 Ft. Hood tanks before they kn
what hits them. From now on the
fense with nonnuclear missiles and g
rilla tactics has all the advantage.
—Charles A. Spears
Sherman, Tex

Just the facts

SIR: Re the errors of fact and mislead
implications relative to the merge
Paine Webber and Blythe Eastman
lon & Co. ("No thank you, Paine W
ber," *Mar. 31*). Cancel my subscriptio
—H. Duane Billmeyer Jr
Vice President,
Paine Webber Jackson & Curtis,
Troy, Mich

Would VP Billmeyer be specific on "errors of fact," please?—ED.

The costs of "protection"

SIR: Re the federal regulation of gove
ment-owned forests (*Readers Say, Apr.*
The public would be interested in w
they are giving up for the protection t
receive from our federal lands.
Boundary Waters Canoe Area is cove
with fallen trees. Last year 31 trees w
lost at the cabin where we stay. But
have been planting new trees for sev
years. The place is likened to a park by
visitors. Across the lake is the wilder
with dead trees fallen in every directi
In a designated wilderness there is
more harvesting of the trees. By cut
the trees when they mature, nature
duces a new forest. New foliage gr
around the new tree growth furnish
food for the deer. Without the fed
government you have abundant ga
animals, recreation, jobs, paper pulp
no need to squander our tax dollars.
—Everett Powell
Gardena, Calif.

Why he did it

SIR: Re your gratuitous editorializing
my position on wage and price cont
("Given the Kennedyesque echoes
MacLaury's positions, it does s
Brookings has changed [him], ra
than the other way around," *Mar. 3*).
reluctant decision to endorse tempo
price and wage controls as part of a c
prehensive anti-inflation program

© International Gold Corporation, Ltd.

Americans are putting 35,000 Krugerrands a week into their portfolios.

Maybe some belong in yours.

There's gold in those safe deposit boxes. And it isn't just the recent gold fever that's done it.

Over the last five years, millions of gold coins have been sold in this country. In the last year alone, Americans were buying Krugerrands at the rate of over 35,000 a week.

Americans, at least a growing number of them, have been questioning the traditional forms of investment. And for many, the conclusion has been that tangible assets—which do not draw interest like many other investments—may still be the more viable investment.

Any serious consideration of tangibles certainly includes the classic tangible—gold coins. And when it comes to coins, the one Americans choose most is the Krugerrand.

No other gold coin has all the advantages of the Krugerrand. Instead of a fractional percentage, it contains *exactly one troy ounce of pure gold.* So you can easily figure how much your gold is worth by checking the world gold-ounce price in your daily newspaper.

Actual size

The South African Krugerrand is a legal tender coin and is sold at a price based solely on its gold content, with only a small extra charge for coinage and distribution (much like a broker's fee you pay for stocks). And because it is the world's most popular gold coin, there's also the world's readiest market if you sell. They are bought and sold every day at many coin dealers, precious metals brokers and even some brokerage firms and banks.

For a good many Americans, investments in the future may no longer mean just interest bearing accounts and a few blue chip securities.

For a number of them, the future has already arrived.

For the dealer nearest you and a free brochure, call 800-648-5600, Oper. 303.

KRUGERRAND COIN DIV., INT'L GOLD CORP.
Dept. FR4, 350 Hudson Street, New York, NY 10014
Please send free brochure "GOLD FACTS AND THE KRUGERRAND" and a list of Krugerrand dealers.

Name _____

Address _____

City _____ State _____ Zip _____

The Krugerrand

The world's best way to own pure gold.

CNA believes working with agents is one of the most effective ways we help keep insurance affordable.

"CNA has developed the finest communications system for insurance agents. It's called listening and understanding. It sounds easy enough, but good communications is something we don't have with many insurance companies. CNA is an exception. We exchange ideas with everyone from their branch people right on up to the top. CNA encourages this dialogue so they can respond with the products and services my clients need. An insurance company that wasn't deeply committed to the American Agency System simply wouldn't bother."

Gerard C. Smith

Gerard C. Smith
Independent Insurance Agent
Patterson & Associates, Inc
Washington, D.C

INSURANCE FROM
CNA

Judge us by the agents who represent us

Continental Casualty Company/Continental Assurance Company/CNA Plaza/Chicago, IL 60685

nority view among Brookings econo-
sts—reflects my judgment concerning
: seriousness of the inflation outlook
l the absence of credible alternatives.
ght or wrong, this is an economic—
t a political—judgment.
K. MacLaury
sident,
Brookings Institution
shington, D.C.

Stand up for the U.S.?

: The myopic opinion expressed by
. Fraser (*Readers Say, Feb. 18,* "The hell
th bringing Alaskan and Canadian wa-
to the U.S. and Mexico") is not
ared by all Canadians. At least those of
who live internationally express an
preciation for the friendship and coop-
ation between our nations. It is time
Canadians to get out of the closet and
enly stand beside our neighbors.
William L. Butchart
adh, Saudi Arabia

It ain't grammar

: Re Mr. Stroot's letter (FORBES, *Mar.*
) canceling his subscription because of
SF's use of the word "ain't." It called to
nd a saying of Will Rogers—"People
no ain't sayin' ain't, ain't eatin'."
Allen D. Barron Jr.
ttle, Wash

Brickbats

: M.S. Forbes Jr. says to reason that
ods of paper money cause inflation is
simplistic (*Mar. 31*). He points to low
oductivity and high taxes. No produc-
ity can keep up with 18% inflation.
e've had decades of astronomically
gh taxes without Latin American infla-
n. The root cause is waves of fiat
oney—Federal reserve notes—flooding
e country and the world.
chuyler Allman
ry, N.C.

: M.S. Forbes Jr.'s support of a $1.50-
r-gallon tax on gasoline (*Feb. 18*) re-
cts the same "tax the firewood" men-
ity that afflicts the Carter Administra-
n. The U.S. switched from wood to
al in the 1850-90 period by allowing
e market to do its job. Fortunately, our
efathers were not encumbered with
e likes of Jimmy Carter, Malcolm
rbes Jr. and the DOE.
E. Pritchard
rtlesville, Okla

"I never knew gold rum tasted like this."

If you're still drinking a blended whiskey on the rocks...

It's because you haven't tasted gold rum on the rocks.

That's the reaction that's made Puerto Rican Gold Rum one of the fastest growing liquors in America today. It's the smooth alternative to bourbons, blends, Canadians—even Scotch.

Try our Gold Rum with soda, ginger ale, or on the rocks. The first sip will amaze you. The second will convert you.

Make sure the rum is Puerto Rican. The people of Puerto Rico have been making rum for almost five centuries. Their specialized skills and dedication result in a rum of exceptional taste and purity.

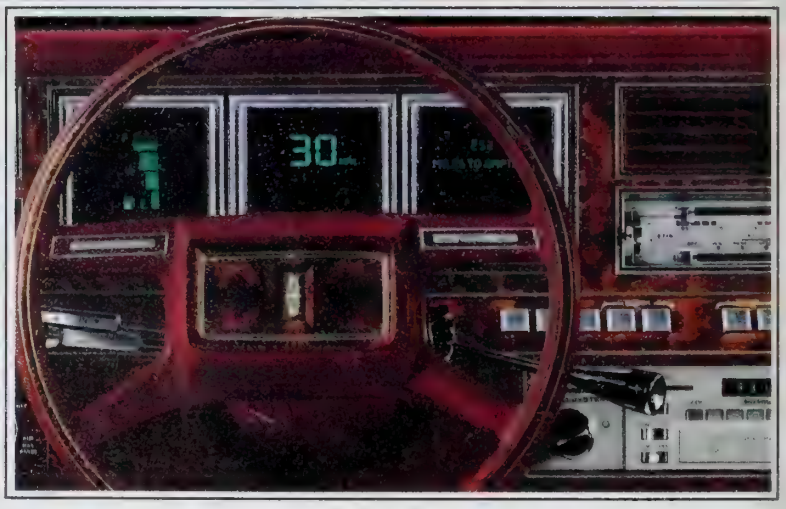
No wonder over 85% of the rum sold in this country comes from Puerto Rico.

PUERTO RICAN RUMS

Aged for smoothness and taste.

For free "Light Rums of Puerto Rico" recipes, write Puerto Rican Rums Dept FB-4, 1290 Avenue of the Americas, N.Y., N.Y. 10019 ©1979 Commonwealth of Puerto Rico

For 1980, Continental Mark VI invites you into an elegant world of technical innovations.



The 1980 Continental Mark VI. Unmistakably Mark in its room and ride and charismatic styling. But on closer examination you'll discover unexpected riches that may surprise you.

A 41% improvement in gasoline mileage ratings over 1979.*

An automatic overdrive transmission, the first of its kind to be made in America.

Electronic engine control, which monitors and adjusts certain vital engine functions for operating efficiency.

Electronic fuel injection, which meters fuel more uniformly than a conventional carburetor.

Digital instrumentation with 20 different readouts and computerized message center, to put you in perfect rapport with your car.

Best of all, perhaps: you'll discover yourself in this most individual of all Continentals.

41% *IMPROVEMENT IN FUEL EFFICIENCY RATINGS OVER 1979.

17 **EPA EST MPG 24 EST. HWY MPG

*Based on comparison of standard engines.
**Compare this estimate to the estimated MPG of other cars. You may get different mileage depending on how fast you drive, weather conditions and trip length. Actual highway mileage will probably be less than the estimated highway fuel economy. California estimates and percentages are different.

CONTINENTAL MARK VI

LINCOLN-MERCURY DIVISION Ford

Fact and Comment

By Malcolm S. Forbes, Editor-in-Chief

HOW CAN A SANE MAN, LET ALONE THE CURRENT PRESIDENT

ıe United States, ask for a miserably mere two bits' worth lditional military hardware in the new federal budget?

ur pitiful present stockpile of antiquated conventional stuff ›uraged Russia to gobble Afghanistan, enables a handful of ian leftists to mock us daily, and lets a few thousand Cuban cenaries occupy or terrify most any part of Africa that their et masters desire to knout or knell.

id we only imagine that Jimmy Carter the other day ingly said—to ringing applause—"I'm determined that the ted States will remain the strongest of all nations"?

seems that only our Commander-in-Chief, his Secretary of ense and that personification of bellicosity, National Secu- Chief Brzezinski, are unaware or unalarmed that Russia, some time now, has been turning out every category of s in wartime quantities and speed.

ssinger put it all very neatly in these words:

"The Soviet Union after the Cuban missile crisis was going all out in its weapons procurement in every major category of arms. American abdication would tempt Soviet tendencies toward filling every vacuum; the U.S.S.R. would accept a stabilization of the arms race only if convinced that it would not be allowed to achieve superiority. It was in our interest to demonstrate to the Soviet Union that given the inequality of resources it could not possibly win an arms race, that we would not stand by while the balance shifted against us, and that if sufficiently provoked we would simply outproduce them."

What does it take to "sufficiently provoke" this Administration? How much further humiliation can be endured without perhaps encouraging an effort at our annihilation?

In these circumstances, the following words of Ronald Reagan can do much to make him a November victor:

"Now, what I think the Russians would fear more than anything else is a United States that all of a sudden would hitch up our belt and say, 'O.K., Buster, we've tried this other way. We are now going to build what is necessary to surpass you.' And this is the last thing they want from us, an arms race, because they are already running as fast as they can and we haven't started running."

Amen.

AND WHAT WILL A RIP-ROARING, WINNING ARMS RACE

› a balanced budget and curbing inflation?

ot a single harmful thing that a 50-cent additional federal ›n gasoline couldn't cure. If the American people feel they have a leader who can be trusted to take that tax and use it to make our country strong enough militarily to be free again, not so many would object to shouldering such alms.

MAYBE CASTRO BETTER BRING HIS ARMY

ıe from their "liberating" missions in Africa, South Ye-, *et al.*, so that they can contain in Cuba their fellow ens who are apparently trying to flee their Castro blessings he tens of thousands. He might even need, as reinforcets, to recall for service on the home front his hundreds of ıts provocateurs operating in other West Indies islands and in Central and South America. Unlike Mussolini's Black Shirts who suppressed opposition with castor oil, Castro oil is not succeeding in subduing the Cuban people.

One must sympathize with the poor guy—imagine if he has to bring his "freedom fighters" home to fight home-front freedom seekers.

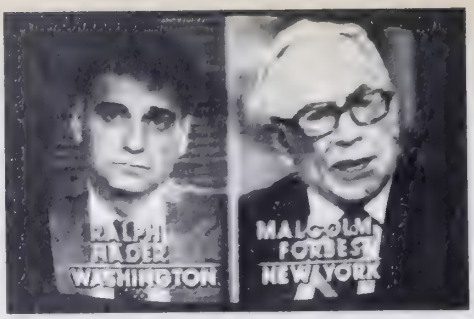
NADER'S NON-SENSE ANTIBUSINESS DAY

a widely publicized but little heeded flapflop, because only zealots and zanies think their guru is the answer rather ı a principal cause of inflation as well as of our energy and ssion problems.

was frustrating fun "debating" a few minutes with him on David Hartman's *Good Morning America* TV program. In the course of monologuing each other on a split screen, viewers learned from Nader that when big business takes time out from ordering around the Senate, the House and the White House, it thrives on lethally polluting and maiming its employees, cus-

tomers and neighbors, and exporting the jobs of those left.

He is urging that these CEO-suite "criminals" be federally licensed and subjected to boards of "public" directors who, I gather, would bring Ralph-and-Jane (Fonda) objectivity to the executive decision-making process.



In turn, I nominated Mr. Nader for three Oscars as star, director and producer of much of our inflation, energy and unemployment problems. Ralphie rejoined with the suggestion that my suggestion was a use of the big lie technique. At which point the public's illumination was extinguished when David Hartman hastily intervened with the commercials—paid for by big business Baddies so that they could get on with their hornswoggling of consumers.

This whole current leftiliberal traducing of our more successful free (a relative term these enterprises was brought on because a jority of our senators, congressmen even some regulatory agencies no lo tremble in terror when these Nad spokespersons descend on them. T self-anointed saviors with their dem for yet more crippling regulations aim strangulating profitable companies ever less clout as a result of their ever greater exaggeration

They're sore because Capitol Hillers—along with a gro majority of their constituents—recognize that less bureau ic autocracy, less confiscatory taxation and less environme extremist absurdities are required if we're to turn back i tion; to gain back our energy independence; to regain economic and military muscle; and to regain respect from our friends and our enemies abroad.

TOPSY-TURVY FOR BUSINESS SCHOOL RANKINGS?

Imagine—a study by the academic accrediting agency of business schools suggests that the schools should be ranked in the future by the quality of their graduates instead of by the quantity of Degrees held by their faculties. This would be accomplished by having each year's 48,000 graduates take the same comprehensive accreditation examination. It w measure the freshly minted M.B.A.s for economic knowl business perceptions and potential managerial qualities.

What a revolution in academia to judge a school by quality of its output!

IF YOU DON'T KNOW WHAT TO DO WITH

many of the papers piled on your desk, stick a dozen colleagues' initials on 'em, and pass them along. When in doubt, rou

VICE CHAIRMAN OPENINGS BY THE DOZEN

Our publisher, Jim Dunn, reports that on his desk after a ten-day trip to Japan he had 14 invitations to be a Vice Chairman . . . of assorted Dinners for Worthwhile Causes.

Not empty honors either. Accepting all would have c minimum of $20,000.

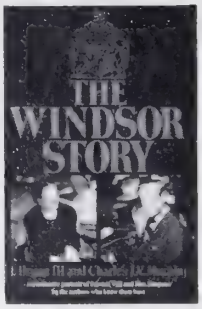
Who said titles come easily?

BOOKS

The Executioner's Song—by Norman Mailer (Little, Brown & Co., $16.95). It's a shame that so much Norman Mailer genius was poured onto these 1,000 pages about a motiveless murdering punk and all those whose lives his empty and meaningless years touched before a Utah firing squad ended his life. Despite its winning of the current Pulitzer prize for "novels" (a misleading nomer fancied by the author), compared to Capote's *In Cold Blood*, Mailer's tour de force fails. His book's Character is totally unnotable except for the notoriety that accompanied the legal machinations behind Gilmore's on-again, off-again execution in Mormon Utah.

Excerpts: *There was a difference between killing somebody in a rage, and being a cold-blooded killer who only had to throw a little switch in himself. Gilmore was in the second category. He could kill you because you gave him coffee in a paper cup. . . .*

One fellow from the local press muttered: "Can you believe the attention this cheap punk is getting?"



The Windsor Story—by J. Bryan III Charles J.V. Murphy (William Morro Co., $17.50). Pretty fascinating rea about a seemingly glamorous king never was more than what the whole w came to know him to be—a shallow, ish, vain little man whose only capab lay in his unmitigated love (mostly un procated) for his twice-divorced Amer woman. She never ceased yearning to be what she never wa any respect—a Royal Highness. What an empty, pathetic pa capture the century's top romantic billing.

Excerpts: *The Duke of Kent was sympathetic, fascinated appalled: "What will she call herself?"*

" 'Call herself'?" the King echoed. "What do you think? 'Queen of England,' of course!"

Kent gasped, "She's going to be Queen?"

"Yes," the King assured him joyously, "and Empres India—the whole bag of tricks!" . . . The obvious and odi parallel between his behavior and King Carol II's, eac them abdicating for love of his mistress, drew from Qu Mary an outraged "Really! This might be Romania!"

JOSEPH HIRSHHORN REMINISCES

's hard to remember that the giver of the fabulous Hirsh-n Museum collection in the nation's capital wasn't always ı as Croesus. But we're reminded of his start from scratch his delightful recent letter from Mr. Hirshhorn with recol-ions of my father, FORBES Magazine's founder—

In 1914 I was getting $6 a week to watch the market and p Richard D. Wyckoff, the owner of the *Magazine of Wall et*, posted on major changes. My big job was to run one-nt charts on 200 stocks from the tape. I started cold and was green as a cucumber but anxious to learn. I saw an ad for a k, *Fifty Men Who Made America*, by B.C. Forbes for $10.

During one lunch hour I went down to the Forbes office. I s a giant of a boy, four feet six inches, in a green suit and rt pants. It was the only suit I had, which my mother had ıght for $4 when I graduated from public school. It was a all office with a young lady seated behind a counter at least a t higher than me. She heard the door open and close but did not see anyone enter. Finally she came around the counter and asked me what I wanted. I told her and she replied that there were only sample copies available.

"Then she left the room and in a few minutes a tall gentleman with glasses came out to look at me. He asked me why I wanted the book. I told him I wanted to know how John D. Rockefeller, J.P. Morgan, Jacob Schiff, Charles Schwab and many others had started and made their fortunes. He smiled, looked at me kindly, asked my age and where I was working. He told me to wait and returned with an autographed book, which he gave to me. I was delighted but I told him I would feel better if he let me pay something. My capital was $11, saved from having 9-cent lunches. We struck a bargain and agreed on $5.

"That book inspired me and I read it from cover to cover a great many times. Mr. Forbes' act was one of the kindest and nicest things to happen to a 15-year-old boy. He was a great, kind and, I am sure, a gentle man."

EXECUTIVES WHO GET THERE

ıd stay suggest solutions when they present the problems.

A LITTLE MONEY PROVIDES

a lot of independence.

WRONG EMPHASIS

By M.S. Forbes Jr.

The Carter Administration is saying that, should the recession turn worse than expected (as it surely will), any easing of its restrictive economic program should begin with monetary rather than fiscal policy.

The Administration has its priorities backwards. Its "tight" fiscal policy is being implemented not through spending cuts, but through huge increases in taxes (FORBES, *Apr. 14*). The increased tax burden will merely exacerbate all the problems that currently afflict the economy—inadequate savings and investment, moribund productivity, growing tax evasion.

Too great an easing by the Fed will merely refuel inflationary pressures. Treasury Secretary William Miller should have learned from his experience as Fed chairman what happens when the Open Market Committee tries to curb interest rates through excessive credit creation.

If the Administration wants to ease up in the face of a contracting economy, it should restructure—that is, reduce—income taxes across the board so as to encourage savings and investment and to restore the essential link between effort and reward.

Unfortunately, Mr. Carter and his economic advisers seem intent on pursuing the basic policies that landed us in the current economic mess.

Mr. Volcker, however, has no intention of doing for Mr. Carter what Arthur Burns, in 1972, did for Nixon—turning on the money faucets to help the President's reelection.

THE FED SUBSIDIZES CREDIT CREATION

Why does the Federal Reserve lend money to banks through its discount window at below-market interest rates? This intriguing question is posed by Lewis Lehrman in a fascinating essay he wrote for Morgan Stanley, *Monetary Policy, the Federal Reserve System and Gold*. Lehrman is a successful businessman (he built up an $800 million [sales] drugstore chain virtually from scratch) turned economic thinker. Unlike most economists, Lehrman takes his cues from history and the real world, not from elegant algebraic equations.

Says Lehrman: "The Federal Reserve System is subsidizing the commercial banks—with taxpayers' dollars. Thus the government, while proclaiming tight money, is subsidizing the expansion of credit by maintaining the discount rate, on marginal borrowings by the banks, below market rates of interest."

It is true, of course, that the dozen largest banks in the U.S. stay away from the discount window if it is at all possible. (They don't want to give Fed regulators any more leverage over them than necessary.) But that leaves thousands of banks who don't feel such strong inhibitions.

When the Fed was set up back in 1914, the discount rate was set above market rates. If a bank resorted to it, it paid a stiff price for the privilege.

Mr. Volcker would make his job a bit easier if, in the months ahead, he returned to such a policy.

LONG BEAR MARKET

The crash in bonds earlier this year raised questions about the viability of the long-term debt market. What is astonishing is how well that market operated for so long.

Though punctuated by occasional rallies, bond prices have been in a slide since the end of World War II. Adjusted for inflation, a high-grade, fixed-income security bought in 1946 would be worth 17 cents on the dollar today; one bought only five years ago, about 44 cents. Now that the recession is under way, bonds have been strengthening. But don't be misled. Unless there is fundamental change in economic policy along the lines advocated by Ronald Reagan, this rally will go the way of all the others in the postwar period.

All of which brings to mind an observation made by John Maynard Keynes 60 years ago concerning the impact World War I inflation had on those who purchased bonds before 1914: "What was deemed most secure has proved least so. He who neither spent nor speculated, he indeed who gave fewest pledges to fortune has yet suffered her heaviest visitations."

Other Comments

Often comments by others stimulate, irritate, abuse or amuse this editor's mind.–MSF

Today's-Style Boss

"Most of the new chiefs understand the outside world, and they can deal with policy issues in America and abroad. If I were choosing a chief executive, I would not be overly concerned with his education or specific background. I would ask if he relates to the larger world, or if he knows how to produce widgets but cannot do anything else."

—Irving Shapiro, chairman of Du Pont, *Time*

Saved by Arizona Oil?

A leading exponent of fuel-oriented agriculture, Dr. Melvin Calvin of the University of California [the 1961 Nobel Laureate in chemistry] has investigated the properties and potential of a class of rubber trees called euphorbia, plants that flourish and produce latex even in the most arid desert conditions. Dr. Calvin notes that latex consists of very large hydrocarbon molecules analogous to those of crude heavy petroleum, and which, like petroleum, can be "cracked" in refineries to produce a range of products including petrochemicals, fuel and gasoline. If the equivalent of the entire state of Arizona were planted with euphorbia, Dr. Calvin adds, fuel production from the bushes would equal current U.S. petroleum imports.

—Malcolm W. Browne, *New York Times*

Look Ten Years Ahead

American business should improve its productivity and quality and take a longer-range view. Too many American businessmen take the short-range view and sweep out what their predecessors have accomplished. In Japan, we depreciate our equipment quickly so that it will be more up-to-date but United States management seems to say, "Why sacrifice my profit to help my successor?"

—Akio Morita, founder of Sony Corp.

In a Bind

Various social-limits-to-growth movements remain the biggest obstacle to progress. . . . People who are almost religiously antitechnological, self-righteously superior in their judgments won't let you build a road or a refinery or a port without running a regulatory gauntlet. Look at how difficult it is to get anything done today. It used to take the U.S. government 30 months to put up a building. Now it takes 10 years for the same building. The U-2 spy plane flew nine months after being authorized. Today, it would take nine years to get the same plane in the air. That kind of red tape strangles the system and discourages innovation.

—Herman Kahn, *U.S. News & World Report*

Steer Clear

"Apartment buildings are done. They're like dinosaurs. Any city with a tenant majority, liberal politics, college students—stay away from. Rent control is absolute poison, and it's spreading."

—John T. Reed, editor of a real estate newsletter, quoted in the *Wall Street Journal*

Hidden Income

Fortune reports IRS studies show only 57% of small businessmen now honestly report their incomes. Only 86% of medium-size proprietors—those grossing up to $30,000 per annum—tell the government how much they really make. . . .

—Nicholas von Hoffman, *Washington Post*

Fear Twisting

A noted psychiatrist, Dr. Robert L. DuPont, who has studied television evening news coverage of nuclear power during the last 10 years, concludes that the major networks have injected irrational fear into the controversial subject.

DuPont explains that the absurdity of this (TV "fear" approach) is understa able if one thinks of water instea nuclear energy. "I can see the TV pic closing in on a swimming pool and voice-over saying: 'Do you realize there is enough water in this poo drown 100,000 people?' "

—W.A. Bachman, *Oil & Gas Jou*

For every inch your waistl exceeds the size of your che you can deduct two years fr how long you can expect live.

***—Executive Fitness Newsle* data from the Metropol Life Insuranc**

Rapturous Vision

"I mean to marry and I am prepare go," the King [Edward VIII] said.

"Sir," said Baldwin, "this is griev news." Later, he told his son, "I never such a look of beauty on anyone's face was like some young knight who had been given a glimpse of the Holy Grail reasoning or pleading by family or fri could penetrate that rapturous mist. was alone with his vision."

—*The Windsor St*

J. Bryan III and Charles J.V. Mur

Be Prepared

Could you ever be important enoug a girl to have her take the rollers ou her hair? [I swear I saw a teenage brid her own wedding with her hair in roll When I asked her why she said, ' might go somewhere afterward."]

—Erma Bombeck, *If Life Is a Bow Cherries, What Am I Doing in the F*

"Take care of the millions, gentlemen, and the billions will take care of themselves."

We worked our way to the top.

A lot of hard work has made Case a giant in construction equipment. One of our largest units is this Drott/Poclain excavator, hard at work in a copper mine in Arizona. We offer a variety of industrious excavators, loaders, dozers, trenchers, compaction equipment and the best-selling loader/backhoe in the world.

Hard-working construction companies demand hard-working machines. Case has met that need with more than 100 basic models—the broadest line of tough, productive construction equipment in the industry.

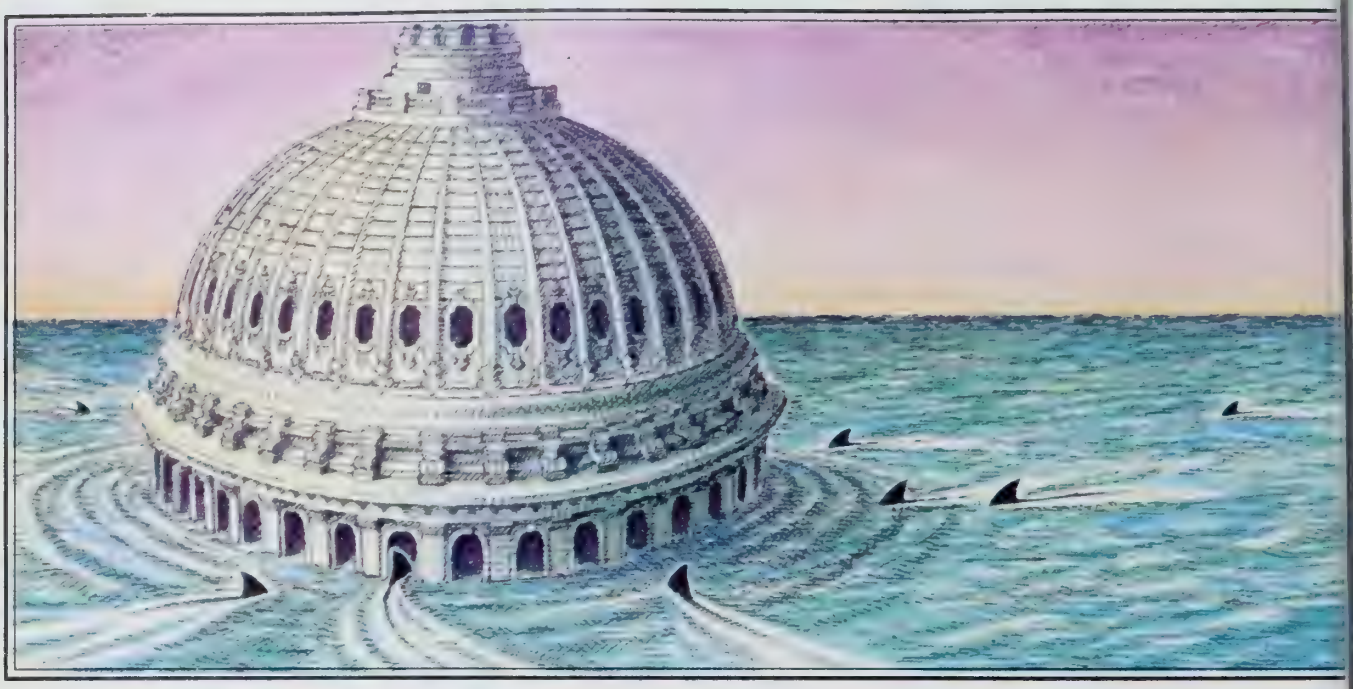
Hard work works. That's how Case became a major force—the growth leader in the industry and the second largest construction equipment manufacturer in North America.

J I Case
A Tenneco Company

TENNECO

case

Coping with Rising



No longer possessed of sovereign immunity to liability lawsuits and often lacking adequate revenues, many of the 80,000 government units in the U.S. are vulnerable to unprecedented damage claims – triggering a search for new approaches to insurance and risk management.

A brief review by INA of an insurance topic of interest to business executives.

School districts, state governments, townships, cities and counties all face a number of challenges today which only ten years ago were considered relatively minor.

Foremost among them is the fading of the time-honored doctrine that "the king can do no wrong" – that a government possesses legal immunity to liability claims and lawsuits. In 42 states today, government bodies are vulnerable in various degrees to actions charging negligence on the part of their personnel and are experiencing rapidly rising liability losses. Given this atmosphere of uncertainty, there has been a contraction of insurance capacity for governmental liability.

The exposure of governmental units is further complicated by widespread financial constraints, including cutbacks in federal revenue-sharing programs. Tax revolts such as California's Proposition 13, eroding tax bases in older cities, and legal limits imposed on spending increases have also led to budget reductions – which in turn have meant skimping on maintenance procedures and accelerated deterioration of property. And governments are no more exempt than is business from the burdens of inflation, snowballing pension demands and the financial requirements of OSHA-mandated safety programs.

Against this background, several positive steps have been taken both by governments and their insurers that have already brought about some relief.

Hanging together

Foremost among them is a much greater degree of risk retention. This usually takes the form of higher deductibles or, in the case of larger government units, full self-insurance of selected risks.

For numerous government bodies, however, sizeable risk retention is not feasible – partly because their exposure base can be too small to allow sufficient predictive credibility as to future losses. In this situation, an increasingly attractive alternative is the

Government Liabilities

self-funded intergovernmental insurance pool. With interest in such pools growing as their advantages become more apparent, at least 24 states have removed legal impediments to their formation or are in the process of doing so.

In a pooling arrangement, the total exposure base should be large enough to make loss projections more predictable and reliable than they would be for any risk separately. This reliability in turn should permit lower costs for providing risk protection. Most pools have been formed to fund workers' compensation insurance, but there is a pronounced trend toward broad coverage of property and liability exposures as well.

An insurance pool can be started by virtually any organization of government units. After establishing the feasibility of pooling – which includes detailed analysis of each member's position – and planning for administrative services, the members draw up an agreement covering all aspects of the pool's operation. The pool itself ordinarily provides only the middle layer of coverage for its members. Below it there is usually a layer of individual self-insurance, represented by deductibles. Above it, an umbrella of commercial excess insurance protects against catastrophic losses.

Government pooling in the U.S. is too new to show any long-range results. However, early experience indicates that premium savings range between 10% and 40% compared with conventional insurance. Fixed costs, including claims handling, administration and excess insurance, are running at roughly 25% to 55% of premium revenues. As a result, dividends are being paid to members of pools with favorable operating results.

Improving the role of insurance

Meanwhile, the insurance industry is actively seeking ways to mitigate government insurance difficulties. Several projects are under way to establish precise classification and rating bases for government risks, similar to those in use for business risks. A major drive is also being mounted to define legal liabilities more clearly and equitably under the tort liability system. And the forthcoming introduction of a new comprehensive general liability policy is expected to simplify the municipal liability underwriting process.

INA is a leading provider of insurance products and services to the government market and is expanding its activities to meet today's – and tomorrow's – needs. As the use of self-insurance and governmental insurance pools increases, INA and its subsidiaries are becoming even more deeply involved through underwriting and the supplying of various loss control, claims and administrative services.

Comprehensive services

Recognizing and meeting complex needs, such as those of government bodies, typifies INA's comprehensive approach to increasingly sophisticated insurance and risk management problems.

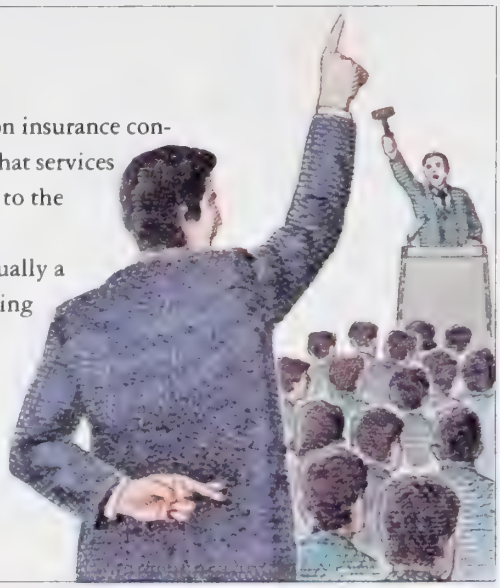
The Insurance Company of North America was founded in 1792 in Independence Hall, Philadelphia. Today it is the largest component of INA Corporation's international network of insurance, financial, and health care interests. In property and casualty insurance and risk management services, life and group insurance, health care management and financial services, INA and its affiliated companies offer a unique combination of products and services to business and industry worldwide.

For an informative booklet on meeting the insurance needs of governments, write INA, 1600 Arch Street, Dept. R, Philadelphia, PA 19101.

idding for trouble?

When governments ask for bids on insurance con-
cts, they frequently fail to specify what services
e bidder should furnish in addition to the
surance protection itself.

As a result, the winning bid is usually a
k-bottom quote, thus short-changing
h essential needs as loss control.
ore detailed bid specifications can
minate this drawback and through
ovisions for loss control or admin-
rative services can have a beneficial
ect on government insurance costs.



INA
The Professionals

THE TASTE BEYOND 12-YEAR-OLD PREMIUM SCOTCH

Discover more.

Let your mature taste lead you from the finest premium Scotch on up to the most expensive 12-year-old Scotch in the world. The Glenlivet. The ultimate in Scotch.

Most premium Scotch is blended and depends on several whiskies for taste and smoothness.

Yet the unblended character of The Glenlivet is noble enough to stand alone. In this distinctive Scotch whisky you'll experience an exceptional smoothness and full-bodied richness, unmatched in all other premium Scotch.

Try the taste beyond premium Scotch.

The Glenlivet
Unchanged since 1824.

if communism weren't bad enough, there is gar rust and tobacco mold, the fish aren't ing and the foreign loans are coming due. ok for discontent and repression.

More trouble for Cuba

By Jerry Flint

IDEL CASTRO, with everything going wrong, sounds very much like some incompetent corporate eftains we have known who are adept making excuses. When things go ng, it's the other guy's fault. Or the ther. Or the government. Never are r own policies to blame.

here's a lumber shortage, he comns, because the Russians are failing to meet their delivery schedules. "In October, of 500,000 cubic meters to be received during the year, only 28% had been received," he told party leaders in a key winter speech. "You can imagine how much that affected everything" with wood short for construction and "for packing vegetables, for packing food, for packing goods or storing them." Worse, he said, it may happen again in 1980. That means a freeze in school and hospital building and probably housing construction, and thus unemployment in the building trades complicated by the problem of what to do with prisoners he has kept on the construction gangs *(for Castro's suggested solution, see box, p. 50)*.

an President Fidel Castro
you need $800 million and have $450 million, there are difficulties."

But lumber is just a part of the problem. Cuba's economy is, at best, stagnating. More likely it is deteriorating at a time when thousands of youths—the post-revolution baby boom—are coming of age expecting jobs and improvements in the living standard. Rubbing salt in the wound, 100,000 Cuban exiles are visiting the island each year, loaded with gifts and stories of how capitalism works. (Fidel hasn't cut the visits because he needs the foreign exchange.)

The likely result of all this? More signs of open discontent, like the April rush to the Peruvian embassy, and stepped-up repression.

"Some have said that we are experiencing difficulties," he said in that key winter speech. "This gives the impression that we are crossing a current, a river. It would be better to say that we are sailing in a sea of difficulties. We have been in this sea for some time and we will continue in this sea." The problem can last 20 more years, he says: "Who knows how long?"

Cuba's basic problem predates Castro. Cuba is a small island—population almost 10 million—economically dependent on sugar production. But Castro wasted years trying to diversify.

The second problem, of course, is of Castro's making. He has chained Cuba to incentive-deadening communism and to trade with the Soviet bloc for goods that are inferior and are delivered late.

All of which leaves little margin for dealing with additional problems, which Castro has this year in plenty:

- Sugar: Production will fall to 7 million tons (if not 6 million) this year, because of the sugar rust disease, and output will probably stay down in 1981.
- Tobacco: Blue-mold disease wiped out the current crop and could again, costing $75 million in sales in hard currency and leading to shutdowns in the tobacco factories.
- Fishing: The 200-mile fishing rights limit has pushed Cuba's fishing fleet from the best waters, and the last catch was down 25%, causing a protein shortage at home and, again, hurting trade with the West. The subsidy from the Soviet Union, about $3 billion a year,

basically keeps Cuba at a subsistence level. Hard currency from sugar and tobacco is vital to buy Western products from machinery to powdered milk. "If you need $700 million to $800 million and you have to solve the problem with $450 million, logically there have to be difficulties," says Fidel. Even the level of $800 million in Western (but not from the U.S., of course) imports is a drastic slash from the $1.8 billion level of 1975 and accounts for the shortage of consumer goods in Cuba.

• Interest inflation: Cuba has run up a $2.5 billion to $2.8 billion hard-currency debt, perhaps 60% short term. Rolling over that debt this year could add $100 million in interest charges just when hard currency is scarce.

• Delivery failures: Lumber wasn't the only East bloc failure; they fell down on chickens, too. "The poultry did not arrive and it was then necessary to slaughter cattle below [market] weight, and to alter distribution and create problems of that type," Fidel complains.

Socialist planning and rigidity have exacerbated these problems. "They've built a labor force that's not appropriate for the economy," says Lawrence Theriot, a U.S. Department of Commerce economist specializing in Cuba. "It's basically an agricultural economy, and the vocational schools are turning out draftsmen and white-collar workers, not tractor drivers," he says. Fidel's brother, Raúl, complains farm workers often put in four hours a day and then fake the production records, and such "irresponsibility, complacency, negligence and buddyism" is found in other sectors, too.

Castro is making some efforts to cope with his problems, some reasonable, some harebrained. For example, he has a problem collecting electricity bills. "Didn't we say that there are some tens of thousands of youths out of work? Well, we can put men and women to work reading meters and collecting," he said in his economic speech. He also talked about sending tens of thousands of Cubans to work in East bloc factories and fields, exporting bodies instead of sugar.

Throughout all, Castro tries to cling to ideological purity while making a few economic concessions to the incentive motive. Some overtime is being paid, some piecework is being established, some free-market operations are being allowed in vegetables, but these initiatives are limited. As usual, there is talk of streamlining the bureaucracy.

Cuba also has good news in the climb of sugar prices past 20 cents a pound, which will help its hard currency account, although that gets balanced against the crop loss.

Of course, Cuba would be crushed economically without the U.S.S.R., which trades its oil at less than half the world price for much of the Cuban sugar crop at twice its value on the world market. That's enough to keep Cuba afloat, but not much more. The Soviet Union may have some problems supplying Cuba if, as many believe, it starts having some oil shortages after 1985.

"We cannot conceive ambitious plans," Castro has told his comrades. "We are in a terrible world crisis." course, much of it is his own fault: t ing to communism; driving out his r ambitious citizens; killing incenti cutting himself off from his major r kets in the West. What he and the c rades cannot admit is that their theo is the heart of the problem. ■

Siberia si, Yanqui no

Fidel Castro's thinking: "If they let us have certain forests, even though it may be in Siberia—and Siberia is all the better because it is less hot—we can send our worker brigades to get lumber in Siberia."

His idea would be for Cubans to cut all the lumber they could for themselves and cut some for the Soviets, too. "Since our forests do not have lumber, and if the U.S.S.R. is our brother—as it truly is—then those r sources are also ours," says Fidel.

Cuba has sent its soldiers and co struction teams around the world, h reminded party leaders in a key ec nomic address. "How is it that w cannot have 10,000 men, if we nee them, to produce lumber for our deve opment in Siberia? Women, too, c course," added the bearded champio of affirmative action.—*J.F.*

It's no secret the government's military sate lites spy on our enemies. But since when a American businesses our enemies?

Big brother strikes again

By Allan Sloan

No one in Washington likes to talk about U.S. military satellites, on or off the record. National security, you understand. About all most people know is that satellite cameras take fabulously detailed pictures of things around the world that affect American interests—troop movements, missile-launching sites, that sort of thing. Forbes has learned, however, that U.S. military satellites are not only watching Russians—they're watching us, too. The same supersecret technology that takes pictures so detailed that photo analysts can tell when the Russian corn crop has blight or when a Russian tank force shows up on the Iranian border is also photographing American industrial plants. Some of the photos are routinely turned over to government agencies, from the U.S. Geological Survey to the Environmental Protection Agency, provided that civilians who come near pictures have top-secret security cl ances and vow not to discuss the pictu with anyone who is unclassified.

At present, this sharing of informat between defense and civilian agencie less sinister than silly—another insta of bureaucratic clumsiness, of well-int tioned people doing what comes natu ly. But left unchallenged it has poten for serious mischief, as one compa Dow Chemical, has already learned.

It's not clear why the military ta pictures of the U.S., though it is proba for practice and to compare Russia's cilities to America's. The pictures, so from satellites, others from reconna sance planes flying missions over U.S., pass from military to civilian ha at meetings of the Committee for C Applications of Classified Overhead Pl tography of the U.S. The committ formed in 1976 to prevent abuse of cl sified military photographs, is so obsc

people know it exists. It consists of dle-level civil servants from seven ncies, with military people sitting in. EPA's man on the committee, Al- Trakowski, a retired Air Force lieu- int colonel, has sworn the committee secret that even its members' iden- s are a matter of national security.

at the committee's chairman, Roy lham of the Geological Survey, sees gs differently, and freely discussed committee during a recent interview is office in Reston, Va. If Fordham is perspook, he hides it well. He wore a with flowers on it and plaid double- trousers, and talked happily about technology of mapmaking. He's a stry graduate of Syracuse Universi- hardly the Ivy League type the CIA amous for. Fordham said that for s, to save on photo costs, the Geo- cal Survey got mapmaking pictures the military's reconnaissance hts over the U.S.—practice missions, says. The committee, formed at the gestion of the Rockefeller Commis- that investigated the CIA in 1975, le the informal arrangement a formal and brought in other agencies. Ford- refused to discuss satellites, citing onal security. But the committee has n members, each of whom, of rse, has subordinates and superiors. lo the military people. With all those ple in the know, it's no secret that Civil Applications Committee gets llite photos that have been sanitized bscure the location and capabilities e satellites that took them.

he EPA has used military satellite ures to monitor civilian industries. agency also takes its own enormous- etailed pictures of U.S. industrial fa- ies. These practices would still be et had the EPA not messed with v, one of the nation's most feisty and spoken companies. During the Viet- War, Dow made napalm and Agent nge because the government asked it Three years ago, it cut off its corpo- contributions to Central Michigan versity after CMU students paid Jane da $3,000 for a campus speech de- ncing business.

ow has been fighting with the EPA ears over pollution from the generat- plants that produce electricity and ess steam for the huge Dow chemi- complex in its hometown of Midland, h. Dow had planned to close its gen- ors in 1975 and use nuclear energy two plants Consumers Power Co. is ding across the Tittabawassee River the chemical complex. But the nu- r plants have turned into a nightmare the power company and are now eduled for a 1984 startup—provided sumers can get financing to com- e them. While Consumers struggles, v runs its obsolescent, admittedly y generators and battles the EPA and the State of Michigan's clean-air people.

In February 1978, after Dow refused to let an EPA team make a second trip through its powerhouses, the EPA retaliated by hiring the Abrams Aerial Survey Co. of Lansing, Mich. to photograph the power plants. Abrams got some chemical plants in its photographs, in such great detail that Dow claims trade secrets could be stolen if the pictures, which are subject to access by others under the Freedom of Information Act, made their way into the wrong hands. A month after the flight, Dow sued in federal court in nearby Bay City, Mich., going on the offensive for a change against the EPA. Dow says it offered to drop the suit if the EPA surrendered the pictures of the chemical facilities and kept only the power plant pictures. The EPA's lawyer doesn't remember it that way. In any case, the suit proceeded. The judge in Bay City impounded the pictures—which are vastly more detailed than the one below—and Dow kept prodding the EPA. Because Bay City is out of the way,

A Dow photo of its Midland complex
The EPA's are sharper—to a fault.

and pretrial proceedings are usually dull, few people other than lawyers have read the depositions taken by Dow from EPA employees.

The depositions provide all anyone needs to find people who will confirm—off the record, of course, so as not to jeopardize security clearances—that the EPA gets military satellite pictures.

The depositions on file in Bay City, confusing and conflicting as they are, show the EPA blundered into its latest battle with Dow. The EPA bureaucrat who ordered the pictures thought his boss wanted them, even though the pictures had nothing to do with enforcement actions against Dow. The boss doesn't remember asking that Dow be overflown, but does recall he was so pleased with the pictures that he displayed one in his office. Dow found out about the EPA's snooping only because Abrams Aerial does work for Dow, and told the company about the overflight.

The depositions and Freedom of Information Act cases brought against the EPA as a result of the Dow suit show that the EPA, which boasts that its pictures are at least as good as military reconnaissance photos, has photographed dozens of industrial facilities, some apparently in enough detail to allow trade secrets to be derived from the pictures. Why did the EPA take them? Because the technology is there, and so are the EPA people to use it.

The EPA runs a surveillance operation of its own based in Las Vegas, and develops pictures in borrowed space at a semi-classified military facility, Vint Hill Farms, near Warrenton, Va. The EPA is the only civilian agency there. The Las Vegas operation started in 1959 to track fallout from atom bomb tests, and was absorbed by the EPA when the agency was founded in 1971. The aerial photography missions, flown by military pilots through 1979, began with pictures of oil slicks, but evolved into high-resolution picture-taking of individual facilities, too. One EPA man, David McNelis, implied in his deposition that some EPA pictures make their way to the CIA, which is barred from operating inside the U.S. "With the CIA, or any agency of the U.S. government, we would exchange technology at any opportunity we have," McNelis testified. He refused to discuss specific exchanges. Another EPA man said enforcement actions have been taken as the result of pictures obtained through the Civil Applications Committee, but refused to be specific. Because many of the EPA people engaged in surveillance have military or CIA backgrounds, it's easy to see how information might pass among the EPA, CIA and the military, outside any committee, without leaving a paper trail to trace.

Stephen Gage, an EPA assistant administrator, does not rule out the possibility that EPA and CIA people talk to each other outside formal channels. "It's an old-boy network," he said. Gage insisted he had no idea, until the Dow suit, that EPA's pictures could be exposing company secrets. "The last thing we'd want to do is naively make trade secrets available," he said.

Sophisticated aerial pictures may stop some pollution here and there, but at what price? Maybe there was a reason to take pictures of Dow's complex, though no legitimate one comes to mind. But why take tremendously detailed pictures from just 1,200 feet up? Why take detailed pictures of dozens—if not hundreds—of facilities that aren't even the subject of enforcement action? "My suspicion," says Stephen Gage, "is that the use of this detailed photo equipment is overkill."

That's putting it mildly. ■

Reflections on what the current difficulty in borrowing portends for U.S. business.

Is desperation the mother of invention?

NO LESS THAN THE LENGTH of women's skirts or the width of men's neckties, finance goes by fashion. Take dividends. In the Sixties it was fashionable to pay low dividends or none at all and plow profits back. People argued like this: Most investors were just middlemen for the tax collector so far as dividends were concerned. Growth was the thing. Synergy. Dividends were for old ladies. Then came the sober Seventies. Companies began to raise their dividends and boast how often they did so. People began buying stocks for yield once more.

Can the pendulum be swinging back again? If necessity is the mother of improvisation, it may well be. "I would be more worried about a company that is paying out too much in dividends than one that isn't paying out enough," says Roger B. Smith, the General Motors executive vice president who is expected to succeed Thomas A. Murphy as GM chairman sometime this year. Does this mean that GM stockholders are due to get lower dividends in the Eighties than they received in the Seventies? Judge for yourselves: In the Seventies, General Motors could have covered most of its capital spending out of its depreciation. Aside from the need for adding to working capital, GM was free to pay out a big chunk of its ample earnings in dividends; over the past decade it normally paid out 55%. Hindsight isn't much help in managing corporate affairs, but, in hindsight, GM management probably paid out *too* much. For while it was paying out fat dividends, events in Libya, Saudi Arabia and Iran were obsoleting much of GM's plants and product lines.

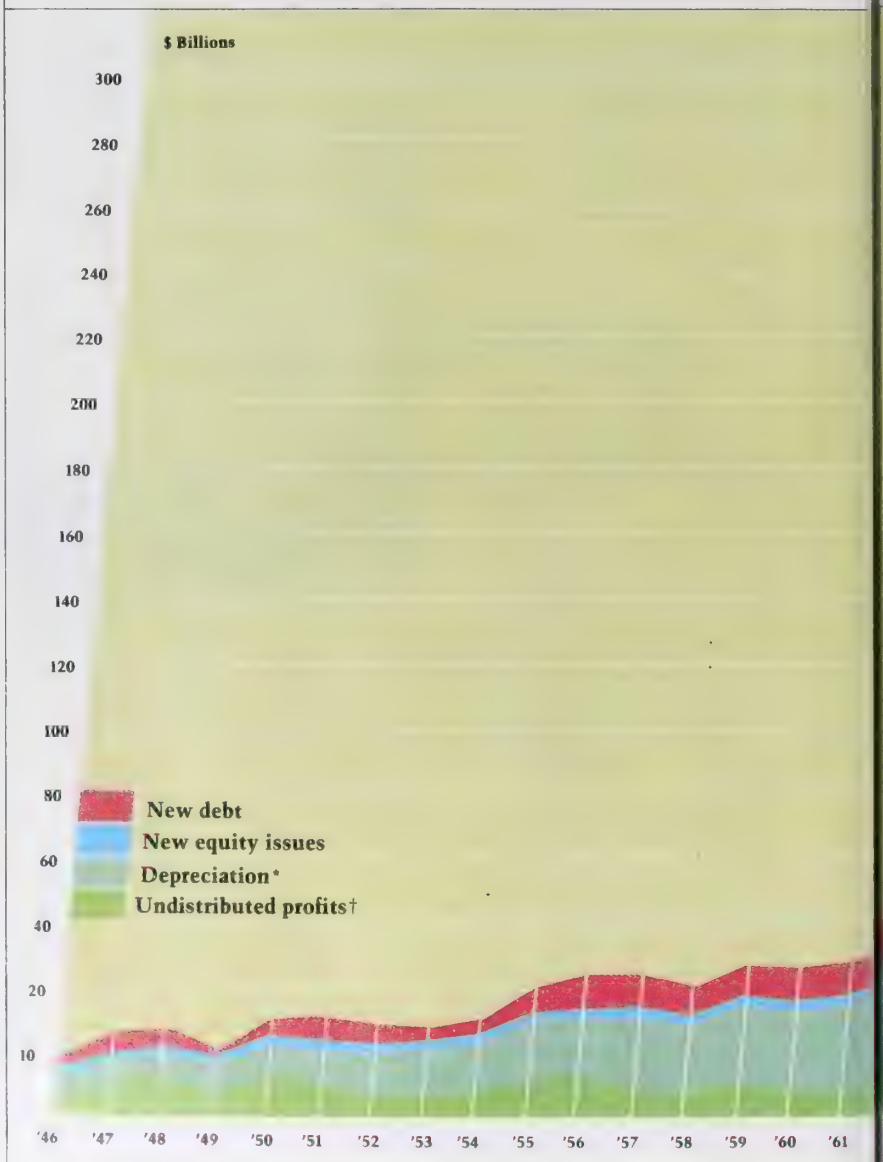
Chairman Murphy says that GM plans to spend at least $38 billion here and abroad on capital projects between now and 1985. That's almost half again as much as it spent in the preceding *ten* years. Murphy says the $38 billion figure includes little discretionary spending—no matter what happens to GM's car sales, which have been slumping badly, or to the overall economy and the nation's capital markets. "Most of what we will spend is for things we *have* to do if we're going to satisfy the market," he says.

Because it is so financially strong, [illegible] will at least have a good chance to d[illegible] this and still avoid cutting its reg[illegible] dividend, which, at $4.60 a shar[illegible] hardly skimpy. But rich as it is, G[illegible] not likely to pay out well over half [illegible] earnings in the Eighties as it did in [illegible] Seventies—unless circumstances ch[illegible] radically.

For companies in the midst of a ca[illegible] expansion program who lack GM's [illegible] cash flow, the current chaos in the e[illegible]omy is particularly trying. "Three y[illegible] ago we started on a massive $2.7 bil[illegible] five-year capital expansion progra[illegible]

Capital punishment

The chart below tracks the sources of new capital in curren[illegible] dollars for nonfinancial U.S. corporations since World War II[illegible] Because of inflation, there is less help than meets the eye i[illegible] the apparent surge in depreciation cash and retained earnings



* As reported to Internal Revenue Service
† Includes foreign profits
Source: Federal Reserve System

s Robert Flowerree, chairman of orgia-Pacific, the big forest products icern. "We don't have all the money need committed to finish." G-P has shed its capital spending plans for this r by approximately 25%. "We are put-g off a lot of things, even small things a $500,000 expenditure to upgrade a ging yard, for example, or a new lift ck," says Flowerree.

G-P had planned to raise $150 million s year by issuing long-term debt but, s Harry Kane, G-P's executive vice sident for finance, "that is a tough rket right now, so rather than take risk we got a revolving line of bank credit to back us up in case we can't go the senior debt route later. It is a very sad thing for someone with an ongoing capital spending program like ours to have it disrupted when the game changes. We are buying time."

In a sense, G-P has an alternative that GM lacks. For GM, spending heavily to redo its product line is a matter of life or death. For Georgia-Pacific the additional capital spending is less urgent. Still, no management likes to lose potential market share for lack of capacity, or to lose profits from failing to use the most modern equipment. G-P's dividend has virtually trebled in the last decade, so shareholders are hardly suffering. But future dividend increases will have to be carefully weighed against possible alternative uses for money.

As far as raising capital is concerned, the public utilities have the worst of all possible worlds. GM can finance itself, Georgia-Pacific can postpone what it cannot finance. Utilities have been particularly hard hit by the collapse of the bond market, low stock prices and soaring interest rates, since they finance about 60% of their construction needs from outside money. All but the highest-credit borrowers have had to substitute equities or shorten maturities.

Public Service Co. of Colorado President and CEO Richard F. Walker explains the bind utilities find themselves in: "We really can't wait for the right time to go to the market because of the long lead times on our projects, and as a public utility we just can't decide to go out of business."

"They can't stay in the banks that long because there's next year's program following on," says Robert H.B. Baldwin, president of Morgan Stanley & Co. "So you see the public utilities going ahead with their debt financing—with their preferred and with their common stocks—as costly as that may be."

The airlines, like the utilities, are confronted with capital requirements that cannot be delayed. A recent report by the Air Transport Association of America estimates that the airlines will need $87 billion in the 1980s to replace aircraft obsolete, in large part, because they use too much fuel.

In one sense, the nation's airlines are even worse off than the public utilities because many airlines lack the consistent profits and the fairly steady and dependable demand that the utilities enjoy. So look for more of the same—skimpy dividends and heavily leveraged balance sheets—in this industry well into the Eighties.

If giant airlines and quasi-public utility firms are going to have trouble raising capital, what about smaller, more marginal companies. What can they do?

Recently FORBES sat down with Lewis Bernard, Morgan Stanley's director of corporate finance, to discuss ways in which companies can raise cash in this inflationary-recessionary environment. Herewith, Bernard's suggestions:

• **Use the Euromarket.** When Eurodollars are available, they often represent a better value in terms of the cost of money than borrowing in domestic markets. This is because of the current attractiveness of high U.S. interest rates to European investors. A second advantage the Euromarket has is its relatively fast time frame: You can often get a commitment within 48 hours, whereas going into registration with the SEC may require two weeks.

Sale of new stock, traditionally a minor source of capital for going businesses, is especially unappealing when stock prices are low. New debt, increasingly important in recent years, is now more costly than ever—and for some, hard to find.

• **Jump into domestic windows.** If you have the paperwork on hand, it is possible to take advantage of short-term rallies in the domestic bond markets. "For instance," says Bernard, "we were able to issue a 3-year note for Wells Fargo in just 72 hours from registration. They had issued another 3-year note last January, so they had a current document with us. A prudent chief financial officer should have all the paperwork ready.

• **Borrow overseas.** Selling debt in hard foreign currencies—like Swiss francs and deutsche marks—can be very attractive if you're willing to take the currency exposure. Companies that are largely multinational in nature can find real bargains—sometimes as high as 300 to 400 basis points below domestic rates—by carefully playing the central bank differentials.

• **Divestiture.** When the capital crunch comes, a lot of companies go through their portfolios and decide to sell off companies that are doing well, but which may be peripheral to their main business.

• **Sell equity.** "Nobody likes to sell equity," Bernard observes, "but sometimes a convertible issue makes a lot of sense for marginal companies caught in a recessionary squeeze." Convertible issues are a way of selling equity on far better terms than in the straight equity market. And convertibles are an easy way to increase the equity base—which allows you to take on more debt later on.

• **Leverage leases.** For companies with a marginal credit rating and high capital equipment needs, this form of tax-oriented, secured-assets financing provides some powerful advantages. How does it work? "Take an airline that needs a plane costing $15 million," illustrates Bernard. "It can't afford the plane, so it agrees to lease from a group of institutions, which put up one-third of the purchase price. The group then turns around and finances the balance of the price through a private placement of paper. To an airline, which can't use the full tax credit or accelerated depreciation on the aircraft, the lease rate—usually just enough to cover debt service and provide a modest cash return to the lessors—may be 300 to 400 basis points less than the cost of straight debt. Meanwhile, the noteholders get the advantage of the tax credit and depreciation—plus the residual value of the aircraft following the expiration of the lease." The investors get the tax breaks, while the airline gets the use of the plane without having to put up cash.

• **Mortgage the farm.** Securing real estate often works when other tactics fail. "We recently did a 30-year mortgage where the principal credit was the lease on one of the largest office buildings in Houston," says Bernard. "The company was a gas utility that could not have borrowed for longer than 12 years because its reserves were not guaranteed beyond then. Yet, a mortgager happily gave them money for 30 years on the real estate."

• **Issue at a discount.** A low-coupon bond can be placed privately at a deep discount from face value. It is a way of meeting a cash requirement without excessive debt service on the balance sheet.

• **Sell off assets.** As a final resort, cash-hungry companies may simply have to carve up their balance sheets by stripping assets. Sellables include accounts receivable, coal and oil inventories (as one utility was forced to liquidate), land, buildings and inventories. "Of course," Bernard concludes somewhat ironically, "this kind of selloff would undermine a company's future creditworthiness."

If there's a company left.

Says Tom Clausen of BankAmerica, "Can I live with one arm? Yes. Would I be better off with two arms? Yes. And similarly the U.S. would be better off with a bond market."

Some nourish the hope, against all evidence, that the whole crisis will go away. Is this a near-term live possibility? Not according to Dr. Albert M. Wojnilower, First Boston Corp.'s savvy managing director: "Inflation and its unwelcome financial repercussions are here to stay," he says—at least through the decade.

If Wojnilower is right, it will be difficult for the long-term bond market to function efficiently. Europe has, effectively, lacked such a market for decades. Can the U.S. get along without one? Answers A.W. (Tom) Clausen, BankAmerica Corp.'s president and CEO, that is like asking, "Can I live with one arm? Yes, I can live with one arm. Would I be better off with two arms? Yes, and similarly the U.S. economy would be better off with a bond market." But to First Boston's Wojnilower: "While the shriveling of the fixed-rate long-term bond market is unfortunate, it is by no means catastrophic."

In a fascinating paper entitled "How Will American Business Finance Itself in 1990?" Wojnilower argues persuasively that for many firms needing outside funds, "Necessity will be mothering a large variety of new financial instrument mutations of uncertain staying power. Markets will continue to operate on very short horizons and become more intensely speculative; as a result, sobering liquidity crises and defaults will occur more often. Fixed-rate long-term bonds and mortgages will lose their predominance as the staples of senior debt, their place to be taken by shorter-term floating rate arrangements, with banks a government playing larger, and insti tional investors smaller, roles as lend and guarantors. Equity finance is lik to become more prominent, with fore sources playing a growing role."

Can anything now on the horizon tu the situation around? A. Gary Shilling New York economist who heads his o firm, believes that only a severe rec sion will restore order to the capital m kets necessary to finance capital spe ing. "I think the first thing that has happen is some kind of break. We th a deep recession with serious financ difficulties," says Shilling. "I'm not usi the word 'depression' because that's loaded word, but that's exactly what is." That kind of thinking, though, dra a heated reply from GM's Tom Murp He fears that *excessive* saving by corpo tions and households could throw us in a slump we can't get out of. "We have be careful that we don't overcorrec warns Murphy. Sure we have to inve and save more, he says, "but unless the is strong consumption on the other si we are going to have problems." Indu ing a severe recession to curb inflation "like throwing the baby out with t bath water," Murphy says.

What economists like Shilling a businessmen like Murphy do agree on the need for a sharp curb in governme spending. If the government reaction t recession is a new round of New D stimuli, inflation will again skyrocket

What it all boils down to, then, is th answers to the big questions facing bu ness are political rather than econom or managerial. Which way will Congre go? Toward more incentives for savi and investing? Or will Congress fall ba on the old populist cliches which, in t current American context, simply i volve the society in consuming accum lated capital to feed consumption? could go either way.

The real decisions rest with the ele torate and its leaders; there are fe buttons that businessmen can push enrich their investible cash flow. One the few is the dividend button. Mo and more boards of directors will ha to ask themselves: Should we hold div dends down or should we cut back modernization? Morgan Stanley's Lew Bernard argues that cutting dividen should be a last resort. "The eliminatio of the dividend," says he, "is an e treme step, one that suggests the com pany is near disaster." On the oth hand, Henry Singleton of Teledyne d cided more than two decades ago th he could reinvest his profits better tha his shareholders could and so he stu bornly refused to pay any cash dividen at all. Despite this, Teledyne has been brilliant performer in the stock mark for more than five years now. Is Tel dyne the wave of the future? ■

The Gold Coins of Mexico

0 Peso "Centenario"
Fineweight:
1.2057 troy ozs.

20 Peso "Azteca"
Fineweight:
.4823 troy ozs.

Once you know the story behind them, you'll know why so many Americans are purchasing them.

The Gold Coins of Mexico are official restrikes of the government of Mexico, minted by the Casa de Moneda de Mexico, the oldest mint in the western hemisphere, established in 1535. Exclusively minted for the Mexican Federal Reserve Bank, Banco de Mexico, The Gold Coins of Mexico have enjoyed a fine reputation throughout the world for many years.

Now, Americans who have made the decision to purchase gold coins have the opportunity to acquire The Gold Coins of Mexico in the United States at the following banks: Citibank, Swiss Bank Corporation and Republic National Bank of New York.

The Gold Coins of Mexico not only provide the convenience, portability and liquidity of owning gold in coin form, but they also offer more alternative choices for purchasers. Mexico's 50 peso gold piece, more commonly known as the "Centenario," is the heaviest of all high circulation gold bullion coins in the world—boasting a high gold content of 1.2057 troy ounces. The "Azteca," Mexico's 20 peso gold piece, features a .4823 troy ounce gold content for purchase on a small scale. A variety of Mexican gold coins of smaller denominations are also available.

ACTUAL SIZE

Many people consider the value and purchasing power of gold as an alternative hedge against inflation. Of course, the decision to own gold is a highly personal one in which risks and advantages should be carefully considered in light of ones specific financial and investment goals. Since gold is a commodity, its value is subject to continual market fluctuations.

Over the years, The Gold Coins of Mexico have become among the most popular gold bullion coins in the world. Due to the careful craftsmanship of Casa de Moneda de Mexico and the wide distribution of these coins, you can usually avoid the cost and delay of determining their authenticity upon resale. As with all gold coins, your purchase price includes a premium above the then current market price of gold bullion to cover minting and distribution. Furthermore, purchases may be subject to state and local taxes.

Call any of the following toll-free numbers for up-to-the-minute prices. For additional literature, write: The Gold Coins of Mexico Information Center, Grand Central Station, PO. Box 1812, New York, N.Y. 10017.

THE GOLD COINS OF MEXICO℠

The Gold Coins of Mexico are exclusively supplied to:

Citibank, N.A. 800-223-1080 — N.Y. State call collect: 212-559-6041
Swiss Bank Corporation 800-221-9406 — N.Y. State call collect: 212-938-3929
Republic National Bank of New York 800-223-0840 — N.Y. State call collect: 212-930-8328

The Gold Coins of Mexico are also available at coin dealers plus selected banks throughout the country.

The Gold Coins of Mexico is a Service Mark of Banco de Mexico, Mexico City.

The long-awaited coal boom is still on the come, but Island Creek hasn't been sitting idle.

What did you do during the hard times, Grandpa?

By James Cook

If you're in the coal business, what do you do while you wait for coal's new golden age? More particularly, what do you do when your coal company is part of Occidental Petroleum and you have the good Dr. Armand Hammer looking over your shoulder? You try harder.

Stonie Barker Jr., 54, a West Virginia-born mining engineer, is certainly trying harder. In the ten years since he took over as president of Occidental's Island Creek Coal, the U.S.' fourth-largest coal producer, Barker has suffered through many a disappointment. The boom didn't come when it was supposed to in the early Seventies—before OPEC quintupled the oil price—and it didn't come after, when coal seemed to have a decisive competitive price advantage. Last year, Island Creek produced 20 million tons, 10% less than it did in 1972. The whole industry is sitting on 100 million tons of excess capacity.

Barker, however, has made the best of a bad situation. He moved quickly to renegotiate Island Creek's low-priced utility contracts—as Peabody and Consolidation were unable to do—and so the company nonetheless continued to do well, even though declining productivity, rising costs and sagging prices ate into its returns. Island Creek earned a good $55 million last year, well below the record $131 million of 1975, but well above the $4.4 million Island Creek earned back in 1971.

Thus, if Island Creek is not exactly a gold mine, or not yet, it's a good moneymaker all the same, and over the last five or six years Barker has diligently continued to modernize and expand—to the tune of over $100 million a year. But with all that excess capacity around, Barker and Island Creek's chairman, former Senator Albert Gore, have had to work hard to find new markets for Island Creek's output.

By and large they have succeeded. The utility demand isn't simply for steam coal these days, but for *low-sulfur* steam coal capable of satisfying the EPA's environmental standards. So Barker has been pushing the development of Island Creek's extensive (over 300 million ton) low-sulfur steam coal reserves and moving increasing quantities of low-sulfur metallurgical (met) coal into steam coal

Island Creek's Stonie Barker Jr.
Growing new markets for old coals.

markets. In the old days, when met coal prices commanded price premiums over steam coal, which was a drug on the market, this wasn't economic, but OPEC set off a revolution in energy prices that changed all that.

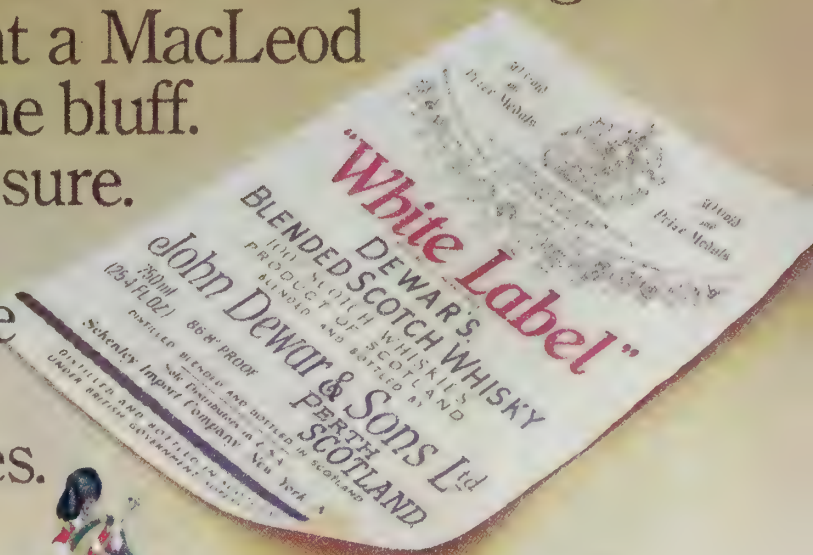
At the same time, Island Creek has been stepping up its efforts to ship into the international market. Only this February, Island Creek signed contracts to deliver 200,000 tons a year of metallurgical coal to Egypt and 250,000 tons to Italy. Met coal has always moved internationally, but for the first time Island Creek is beginning to find overseas kets for steam coal as well. Barke just signed a 300,000-ton-a-year co with Rumania, has a 2 million-ton-a joint mining project with Rumar the making and has prospects of contracts with countries like Franc Israel. This year, Barker expects to s million tons of steam coal oversea Great Britain and Rumania.

Occidental has ambitions of build commercial-scale 50,000-barrel-oil-from-coal plant along the lin South Africa's coal liquefaction pla scheme that would require maybe 9 lion tons of Island Creek coal a However, that's for the future. It take $4 billion and several years to if the feasibility study Occidenta under way proves out. At the mo that's beyond Oxy's means.

Meanwhile, Barker is moving a with a scheme for marketing a r talked of but largely unimplemente cess for mixing pulverized coal wit in a 50-50 ratio at great savings t consumer. On a BTU basis, Barke ures, a ton of premium coal yiel much energy as five barrels of oil, costs half as much as the equiv quantity of oil—about $75 *vs.* $150 fo This is no pie-in-the-sky scheme. cost of $3 million, Island Creek is b ing a mobile coal-oil mixing plant ble of producing 27,000 barrels a day. mixture can be burned with only m modification of existing combus equipment. Late this summer Barke pects to set up the plant at utility industrial installations around the c try to demonstrate just what the p can do. St. Regis Paper Co. has alr been testing a coal-oil mixture a Jacksonville paper mill, Florida Pow Light is building a plant of its own Florida Power Corp. has been intere in shifting from oil to a coal-oil mix if the process works as well as Ba hopes. In his more optimistic mom Barker can even see building a 100, barrel-a-day plant at tidewater and b ing the mixture up and down the and Gulf coasts. Barker figures ther market out there for at least anothe million tons of coal a year—over 3 ti Island Creek's current production.

For all this, Island Creek operate only 70% of capacity last year, and year isn't likely to be much better— capacity headed for 30 million ton year-end, 33 million by 1982. "Ninet eighty will be flat," Barker says; ' will be better, and beyond that I think will approach the profit levels we ha '74 and '75." That would make his b Armand Hammer, quite happy. That tra $75 million or so in profits w work out to something like $1 per sl for parent Oxy, and ought to do so thing for Oxy's almost risible price/e ings ratio of 3. ■

IT'S BEEN CENTURIES
since the Vikings stormed out
of a mist at the Isle of Skye.
But there are mornings still
that a MacLeod
walks the bluff.
Just to make sure.



The good things in life
stay that way.
Dewar's® never varies.

Authentic.
The Dewar Highlander

BLENDED SCOTCH WHISKY • 86.8 PROOF • © SCHENLEY IMPORTS CO., N.Y., N.Y.

"But I could swear that you said levering the church."

No, no! Not levering the church. Leader in research.

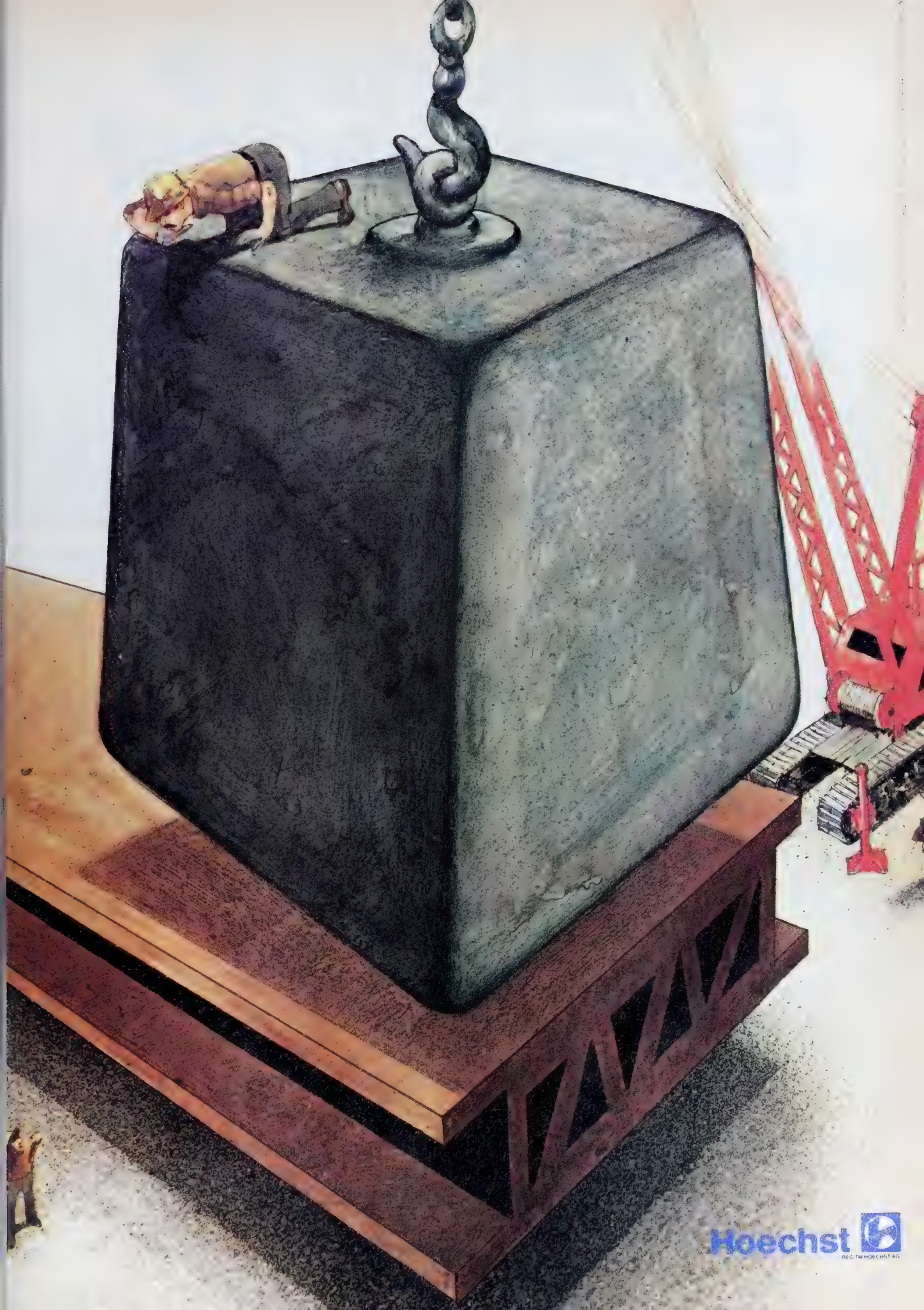
Research, you see, is the key to the remarkable growth of American Hoechst. The people we recruit and the dollars we invest reflect the corporation's firm belief that through scientific and technological breakthroughs we can constantly improve mankind's lot on this planet.

In eight laboratories, from Rhode Island to California, our 575 research and development people are involved in such crucial areas as cancer research, crop enhancement, animal health, man-made fibers, thermoplastics and food preservatives, sharing interdisciplinary knowledge and experience with a network of nearly 13,000 dedicated specialists in 32 Hoechst Group research centers in other countries.

Around the world this effort costs Hoechst over two and a half million dollars every working day.

When you think of it, that's a lot of leverage.

American Hoechst. Pronounced success.


Hoechst
REG TM HOECHST AG

Transway's Going Places!

In Marine Transportation

In Trailer Manufacturing

In Freight Forwarding

In Liquefied Petroleum Gas

Transway has made a commitment to innovation and leadership in each of these areas of transportation and distribution.

That's A Sound Concept To Invest In

Please write for our 1979 Annual Report. Learn about our investment in the future and how it has helped us become a corporation with $884 million in revenue and $332 million in total assets.

TRANSWAY

Transway International Corporation
747 Third Avenue
New York, New York 10017

ey're dangerous, uncomfortable, and not hat you expect a nice, respectable profes- onal to ride. Indeed, that may explain why otorcycle and moped sales are climbing.

The return of the two-wheeler

inessmen on two wheels, San Francisco's Montgomery Street Motorcycle Club
t really becoming transportation, or is it still a sport?

By Beth Brophy

Y DAY, HE SAYS "open wider" and puts fillings in teeth. But when day is done, Sherman Telis, den- ,32, shucks his white coat, climbs on Suzuki 450-ST and slips into a bit of own fantasy life. "As I ride I think ut the feel of the wind, the trees, the nery. I feel in control of my life. I am osed, at the mercy of my own in- icts," he says. "Sure, some of my pa- ıts might be taken aback. Some of m still connect motorcycles to Hell's gels, tattooed arms and leather jack- But I like breaking out of my image ı staid, Washington, D.C. dentist."

ı San Francisco, every weekday rning, advertising executive Tom l, 47, adds leather gloves and crash met to his business outfit and ınces five miles on his BMW-1000 to graphic design studio. "It's easy to k, I can't drive fast downtown in a car anymore and, anyway, a motorcycle is a thrill at any speed." Isn't it dangerous? "I'm a fatalist," Hall says. "I figure my name is in a little black book somewhere with a date already written in."

In Houston, Gregory Newman, 26, a medical-film producer, commutes on his Honda CX-500. "I can park next to the hospital, not five blocks away. It's a darn good way to wake up in the morning."

This year, sales of motorized two-wheelers—motorcycles, mopeds and scooters—are expected to approach 1.6 million, a record, up 11% from 1979 even as automobile sales collapse. New registration figures for motorcycles in January and February, the latest available, total 65,490, 48% above 1979.

Clearly, something's happening.

The easy explanation is that it is just a fad, the panic reaction to $1.30-a-gallon gasoline. It's possible that demographics also account for some of it, what with the huge population bulge between age 20 and 30. But soaring sales of "bikes" may also be part of the new world of fun and thrills, from skydiving to jogging, from skiing to backpacking. Modern man in his air-conditioned apartment and office, earning his living with a telephone and computer terminal, might just be using that $1.30 gas as an excuse to joust with danger. After all, even his automobile, once the great American symbol of freedom, has been neutered with the passing of convertibles and the arrival of 55 mph speed limits.

It's big business.

Motorcycles: 1.2 million will be sold this year, says the Motorcycle Industry Council, priced from $1,500 to $9,000. Mopeds: 360,000 sales at $400 to $1,000 each. Scooters: about 20,000 at up to $1,800 each. Then there are accessories—$902 million worth in 1979, says the editor of *Motorcyle Dealernews*, which runs trade shows. These items dress up the bike and the rider—luggage racks, saddlebags, covers for engine casings, jackets and helmets. Says Bill Kniegge of Bell Helmets, Inc., a large California manufacturer and a subsidiary of Wynn's International: "Our business is growing at a faster rate than the cycle industry and we expect at least a 20% increase this year." Bell sells 300,000 motorsport helmets a year at an average retail price of close to $100, and in 1979 sold 80,000 of their most expensive ($120) model. "In an inflated economy consumers go for the quality goods," says Kniegge. Last year Bell netted $2 million (pretax) on $13 million in sales.

A customer paying $4,000 for a motorcycle may buy $1,000 in accessories, dealers say. "One of my bestsellers is a $5,300 Honda GL-1100 Interstate, which comes equipped with accessories like a fairing [fiberglass streamlining, often including a windshield], saddlebags, trunk and radio," says Mike Turner, owner of Southwest Honda-Suzuki in Houston, who says business has increased about 15% every year since he opened in 1972.

The dealers are happy. "Business is big, 40% better than last year and the season hasn't opened yet," says Brooklyn, N.Y. Honda dealer John Rosatti. But they've got worries. "I have to wait for months to get bikes from the Japanese manufacturers," says Dillard Coleman, owner of Cycles Inc., with five branches in the Washington, D.C. area. Right now American officials of the Japanese companies that dominate the market are trying to convince their factories to begin shipping 1981 models in July, months ahead of schedule, to avoid shortages.

The Japanese-inspired revolution in lightweight motorcycle design sent sales soaring a decade ago. They leaped from fewer than 700,000 in 1969 to 1.5 million in 1973. But, with the mid-Seventies recession and the end of the first oil scare, sales sagged, down to about 1 million a

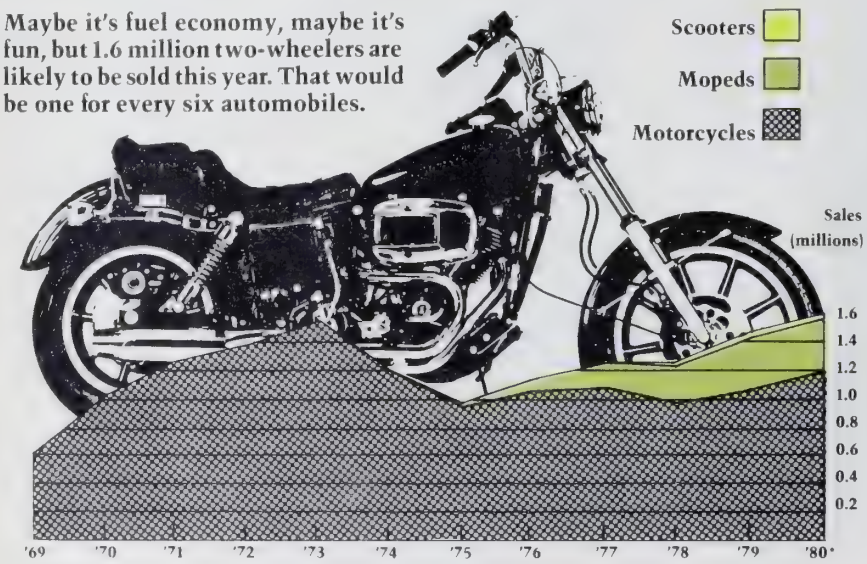
year through 1978. Then the rebound.

Of the top five sellers, four are Japanese—Honda, Yamaha, Kawasaki and Suzuki. The fifth is Harley-Davidson, a subsidiary of AMF Inc. (Triumph, sixth, has less than 1% of the market, as does BMW.) Honda, with 40% of the market, expects close to a 20% sales gain this year. The five make up 96% of the U.S. market, which is broadly split into three segments:

- Small (with engines of 400 cubic centimeters and under), generally selling for $2,000 or less. They are easy to maneuver, yield 70 miles per gallon and are among the biggest sellers in the industry. Most dirt bikes, designed for off-highway use, are of this size. Minibikes, smallest of the small, carry 50cc to 100cc engines, are often bought by teenagers and are used off the road.

Vrooming toward a record

Maybe it's fuel economy, maybe it's fun, but 1.6 million two-wheelers are likely to be sold this year. That would be one for every six automobiles.



* Estimate

Sources: Motorcycle figures from Motorcycle Industry Council; moped figures from Moped Association; scooter figures from Vespa of America

- Medium (400cc to 750cc), generally selling for $2,000 to $3,500 and sporting fancy styling.
- Large (750cc and up), costing upwards of $3,500. These are the long-range touring bikes and superfast—130 mph—bikes, yielding 35 to 60 mpg.

But motorcycles aren't the only motorized two-wheelers. If you are too young to remember, there was a day when it seemed that all the world would be riding the Vespa. The Italian scooter swept through a Europe too poor for automobiles after World War II, and Sears even tried to sell them in America. But here the automobile held on, and scooters all but disappeared. Then, three years ago, the manufacturer, Piaggio & Co., with 14 factories around the world and a 1980 production goal of 500,000 scooters and 500,000 mopeds, came back to America. Piaggio sold 3,000 Vespa scooters here in 1978, 10,000 last year and business will double this year, says Bruno Porrati, president of Vespa of America. "The trouble is we don't have the support of enough competition. The Japanese did it together with motorcycles, Honda, Yamaha, Kawasaki. We have to run with the ball by ourselves. It's very costly."

As for mopeds, sales are booming: 25,000 were sold in 1975, 350,000 last year. Bureaucrats are having a hard time making up their minds whether to issue licenses, impose age limitations or require road tests. Six states (Idaho, Utah, Missouri, Alabama, Mississippi, Alaska) have no moped laws yet. Where restrictions are fewer, not surprisingly, sales are brisker.

"The only thing holding the industry back is the industry itself," says Jacques Dickinson, a U.S. executive of Austria's Steyr Daimler Puch, the leading seller. Mopeds are usually sold by undercapitalized neighborhood dealers. Even so, Dickinson sees industry sales moving to the 400,000-to-500,000-a-year level.

Who is buying the 1.2 million motorcycles that will be sold this year? The sellers report more of their customers are ordinary working folk and professionals. As for mopeds, many buyers are teenagers, but sellers again say a growing number of customers are white-collar workers in their 30s and 40s with high incomes. Yamaha estimates that one-fourth of first-time buyers are women.

While the Sunbelt is the natural sales area—California is the number one state with 13% of the market, Texas is second—three northern industrial states (New York, Illinois and Pennsylvania) rank third, fourth and fifth in sales.

The Japanese are the world's major motorcycle producers, building 5. lion last year. But unlike their ca ers, who hesitate to open plants in ica, the motorcycle builders have s some production here. Kawasaki Lincoln, Neb. plant that now pro 60,000 units a year and has a capac 120,000. Last month Honda ded its new plant in Marysville, Ohio t duce 60,000 vehicles a year to su ment the 500,000 it brought in fro pan last year.

Safety and an outlaw image are c ual problems. "Most of the medi tures you see of motorcycles in wrecks, or gangs in pursuit of no g says Bob Moffit, assistant to the dent at Kawasaki. "Instead of first t ing of danger, accidents and gangs torcycles will be thought of first and most as economical transportatio more people learn to ride," says Trobaugh, marketing director at Su

Indeed, a group of motorcycle-r businessmen in San Francisco, Montgomery Street Motorcycle named after the financial district w the members work, is trying to ch the old biker image. "Our only ide ing mark is a simulated tire stripe o helmets," says Charles Stuart, founding member and marketing president of Bank of America.

But there is a grim reality to the d image. With about 5 million motorc in America, last year 4,850 people di cycle accidents. The fatality rate cli from 6.8 per 10,000 registered bik 1974 to 9.7 in 1979. Possible re more first-time riders, statistically most likely group to get into accid "We need more school training," Roger Hull, publisher of *Road Rid* cycling magazine. The Motorcycle ty Foundation, sponsored by the big manufacturers, has 2,500 motorcy available for training in high schoo part of a safety effort.

"Motorcycling is damn near the adventure you can justify," says A Girdler, editor of *Cycle World*, who been riding for 25 of his 42 years. Ha two-wheeler really become transp tion then, or is it still a sport? "R now we're beginning to see the moto cle used here as basic transportation used to be in other markets," says Tanaka, national sales manager American Honda. "The inflation chology, wanting to buy now, and gasoline price increases, might be st ger than the retail financing problem

With fuel prices and the cost of a mobiles climbing, maybe, just ma the two-wheeler will become a m part of the American transportation tem. But to hear "bike" riders tell it, thrill is still important. As banker St says: "It's an extremely exhilarating ing. You ride it, you don't drive it becomes an extension of you." ■

Growth.
Essential in a Corporate Protector.

Here, Albert J. Tahmoush, Chairman and CEO of Frank B. Hall & Co., the world's most inventive insurance services firm talks with seven very good reasons for Hall's aggressive growth strategy. We're growing worldwide. To protect their future. And ours. And yours. Someday these kids will need a great, big grown-up corporate protector like Frank B. Hall. Perhaps your day has come.

When creative protection is essential

Serving: Pan Am, PepsiCo, ITT, Rockwell International, Kodak, McDonald's, GM, Combustion Engineering. And thousands of smaller clients, too.

If Sun's proposed buyout of Seagram's oil land means anything, most oil stocks are grossly undervalued. So why haven't they moved?

Taking the cash and letting the credit go

WHEN SUN CO. BID a whacking $2.3 billion for Seagram Co.'s oil and gas properties the other day, the response on Wall Street was respectful but ambivalent. There was a big run-up in the price of Seagram, which stands to turn a huge capital gain on assets carried on the books at $464 million. The price worked out to $13-a-barrel-of-oil-in-the-ground, which was at least a couple of bucks a barrel more than analysts generally figured the stuff was worth in a buyout. This good news, however, didn't do much for the other oil stocks. They just sat there. This is the kind of market that is inclined to take the cash and let the credit go.

Some analysts even came away convinced that Sun was paying too rich a price for the old Texas Pacific Oil Co. properties that Seagram won in 1963 by outbidding Standard Oil of California by a mere half-million dollars.

The acquisition, if it goes through, may well penalize Sun's earnings over the short haul. The company is paying the price, some analysts argued, for an oil exploration program which, over the years, has not quite panned out.

The Sun deal, though, must be taken in context. It came on the heels of several other big-ticket auctions, including Shell Oil's $3.65 billion buyout of Belridge Oil Co. and Mobil Oil's purchase of General Crude Oil Co. from International Paper. Both those situations involved lots of competitive bidding, with Shell showing a pair of moneyed heels to Mobil and Texaco, while Mobil outbid Gulf Oil, Tenneco and Southland Royalty.

The competitive jostle means two things. Thanks to record earnings, the nation's big oil companies are loaded with cash—about $3.5 billion in excess of last year's combined capital spending and dividend payout of $46.5 billion, according to John S. Herold, Inc.'s *Petroleum Outlook*. Many of the big companies are increasingly willing to plow their cash flow back into established reserves

Salomon Brothers' William Randol
Refining may go sloppy, but reality lies in the "bottle rocket."

at increasingly high prices, according to Kurt Wulff of Donaldson, Lufkin & Jenrette. The willingness of those who presumably know values best to pay up for quality reserves contrasts sharply with what the stock market is saying about the oils, particularly the big international oils. They, along with most of the smaller exploration companies that stand to benefit most from buyouts, have been hit hard since the averages topped out in mid-February.

Mobil, for example, has come down from a high of 89½ to around 67. Gulf has slipped from a high of 54½ to about 38, while Texaco has dropped from 41⅝ to around 33. At those levels, all three companies are selling well under the appraised value of their oil and gas reserves, refinery plant, tankers, oil wagons and other hardware. This apparent discrepancy is easy to explain. One reason for it, of course, is the difference between corporate and individual investors. Sun, says Constantine D. Fliakos, a vice presi-

The Streetwalker

dent at Merrill Lynch, has the luxu being able to wait for a payoff o investment like the Seagram prope over a "time horizon" of 15 to 20 yea even as Seagram was able to sit fo years with the same investment b making a move to capitalize on it.

Individual investors rarely have e the luxury or the patience to wait so for their rewards. Over the shorter t the market seems to be saying that n of the oils—particularly the internat als—are going to find somewhat bum going ahead. The market seems t looking beyond what is going to superlative first quarter for most of big oils to a sizable buildup in in tories, with an inevitable pressure prices. As the U.S. recession deep markets may well soften and refi spreads narrow to the point where p gains through the rest of this year going to come in at much less start levels than last year.

"We're worried about sloppy refi markets," says William Randol, an lyst for Salomon Brothers. "We thi profits squeeze of probably extended portions is setting in."

One more example of the stock r ket's preoccupation with short t rather than basic values is the bang- fizzle which greeted word of a potenti major strike in the Hibernia area off southeastern tip of Newfoundland. T of the internationals with a big st there—Mobil, Gulf (through Gulf C ada) and Standard of California—w off like bottle rockets on the news.

An opposite and almost direct reac has set in while Mobil does such ne sary things as drilling step-out well establish whether it has indeed spud into a major new find. Has that pros added any lasting luster to the stoc Not really. Gulf is selling at only abo times 1979 earnings. Mobil is selling times earnings. This market is so s tish it is focusing almost exclusively the transitory to the exclusion of fu mental values.

Does that mean the internation having gone through a full loop si FORBES last wrote about them *(Oct 1979)* are once again a good contra buy? Some analysts think so. "I th they're extremely attractive long ter says Merrill Lynch's Gus Fliakos. S Peter Treves of Treves & Co.: "I'd the internationals are a good buy. T P/E ratios are extremely low, and Tex especially is very well discounted."

What about the prospect of a refin squeeze and lower earnings grow "The earnings will come," respo Treves. "The basic values are in ground. It's hard to see them getting cheaper."—*Richard Phalon*

Sun, wind and water. Oil, coal, gas and the atom. All hold untapped potential for solving the energy crisis. And ITT Grinnell – The Source – will help harness and deliver their much needed power.

For over a century, ITT Grinnell flow control systems have made significant contributions to power generation. Today, our products and capabilities are more vital than ever in fossil, hydro, and nuclear based energy production, as well as in the search for alternative energy sources.

ITT Grinnell high precision control valves, service valves, massive headers and piping supports are serving the exacting needs of all types of power plants. Our valves and pipe hangers are also critical components on the pipelines of oil refineries, LNG tankers and storage terminals.

We're fabricating giant elbows and other welding fittings for oil and gas transmission lines. Our commodity fittings are as widely used as the thousands of miles of pipe we supply. And our rugged diaphragm valves are helping coal mines handle highly abrasive slurries.

As the promising technologies of solar and wind power evolve, the Research Development and Engineering Department of ITT Grinnell will meet their needs efficiently and cost-effectively with innovative flow control systems.

That's the kind of *action response* industries the world over have come to expect from us. That's why they call us The Source.

Let us help you in your search for better ways to perform your process operations – with flow control systems from The Source. Contact ITT Grinnell Corporation, 260 West Exchange Street Providence, RI 02901. (401) 831-7000.

ITT Grinnell

The Source You Can Build On.

GRUMMAN IS GEARED U
TO HELP AMERICA

Grumman is in the transportation equipment business With efficient buses and truck that use less energy to move people and products.

A COMFORTABLE BUS THAT'S A FUEL-SAVING PEOPLE-MOVER. AN IDEA WHOSE TIME HAS COME.

During the 80's, America will need 60,000 new transit buses to replace aging fleets and expand mass transit systems. The Grumman Flxible 870® will help to meet this nee

ADD 6,000 BUSES A YEAR.

th thousands of new comfort-
le, lightweight buses rolling
our production line every
ar.

HTWEIGHT, DURABLE
JMINUM TRUCK BODIES.
OTHER IDEA WHOSE TIME HAS COME.

Grumman has built more
an 120,000
uminum truck
dies since
e first model
1931. Tough
umman aluminum
ucks carry greater payloads
hile consuming less fuel.
nd every Grumman truck is

engineered and tested to comply with all applicable Federal Motor Vehicle Safety Standards. Some 30-year-old Grumman aluminum truck bodies are still in service today—having been remounted on as many as six chassis. Not surprising when you consider that the aluminum resists corrosion and doesn't rust or rot.

"NO GAS"
ELECTRIC TRUCKS.
ANOTHER IDEA WHOSE TIME HAS COME.

Grumman expertise in building fuel-saving aluminum truck bodies is being applied to the development of "workhorse" delivery vehicles for the petroleum-short decades ahead.

A prototype Grumman electric truck for the stop-and-go delivery service market is being tested at our Sturgis, Michigan, plant.

For more about Grumman's involvement in the business of energy-efficient transportation equipment, write:
Grumman Corporation,
Dept. GCP,
Bethpage, New York 11714.

GRUMMAN

50 years

HARRIS technology on the job

HARRIS computer system at Shell Oil's Science and Information Center

In information systems, Harris Corporation produces data processing terminals, general-purpose computers, word processing systems and supervisory control systems.

HARRIS Corporation offers a complete family of high-performance, general-purpose computer systems. Providing virtual memory, data base management and a multitude of languages for scientific and commercial applications.

HARRIS technology works worldwide—in communication equipment, information systems, government systems, semiconductors and printing equipment. For information, write: Harris Corporation, Melbourne, Florida 32919.

HARRIS

COMMUNICATION AND INFORMATION PROCESSING

spite of new restrictions on them, foreign banks still flourish in the S. market. Can one now argue for doing away with some of the old 'ass-Steagall restrictions on activities of U.S. banks?

"If they can do it, why can't we?"

By Michael Kolbenschlag

HE RECEPTION WAS in the best of French tradition. Lanson, Père & Fils champagne by the bucket, s d'oeuvres as far as the eye could see, a string quartet vigorously working Bach's Third Brandenburg Concerto. ront of it all, shaking one hand after ther, Gérard Llewellyn, president of que Nationale de Paris, France's nber one commercial bank, with over billion in assets. Why was the aqui-featured Llewellyn, in banker grays set off by the tiny red-and-white lapel pin of the French Légion d'Honneur, glad-handing in Los Angeles? He was announcing the acquisition by BNP of Bank of the West, a $590 million bank with 37 branches in California. Bank of the West was to be merged with BNP's existing small California subsidiary, French Bank of California, to form overnight a California banking network with assets of over $700 million.

Such a high-spirited soiree—let alone the acquisition of Bank of the West itself—might not have been expected in view of the new legislation that is increasingly trying to make life difficult for foreign banks in the U.S. In September 1978 President Jimmy Carter signed the International Banking Act, the first attempt to subject to federal regulation foreign banks that in the past have been subject only to state regulation. Among other things, the act: put controls on interstate expansion of foreign branches and agencies; limited foreign banks without U.S. subsidiaries to acquisitions in one state only; and made Federal Deposit Insurance mandatory for any for-

ident Gérard Llewellyn (left) *of Banque Nationale de Paris greets his guests at the opening of his new California subsidiary*
ur regulations are moving and becoming more restrictive, but we can still do many things."

eign branch engaged in domestic retail banking activities. This was only a prelude. This fall foreign bank branches and agencies will also be required to start keeping reserves with the Federal Reserve, and farther down the road foreign subsidiaries will be facing the same requirement. Slowly, loopholes have been closed that gave foreign banks advantages against domestic banks in the U.S. market.

But Gérard Llewellyn could almost care less. "Your regulations are moving and becoming more restrictive," he says, in only slightly accented English. "But we think we can do well. We can still do many things, you know."

Indeed so. Before the long arm of the Washington regulators caught up with the foreign banks in 1978, BNP—like nearly all the other foreign banks operating in the U.S.—had already spread out across the land with subsidiaries in New York and California and a network of branches and agencies in between. Pressed by U.S. banks, the U.S. government wants to halt that kind of pandemic interstate expansion, but the U.S. has given hostages to fortune. Fearing reprisals by foreign countries against U.S. banks operating abroad, it has elected to leave the foreign-bank landscape as of mid-1978 untouched. Thus, for example, the foreign banks that operate some 21 securities affiliates in the U.S. that underwrite and sell stocks—something a U.S. banker could do only in his wildest Glass-Steagall-demolishing reveries—can continue to operate these facilities. The foreign banks have been grandfathered as of 1978.

As of last year there were 144 foreign banks in the U.S. operating 315 offices—about triple the number of five years ago. Total assets of these banks were $132 billion, almost 4.5 times what they were in 1973. Outstanding business loans of foreign branches and agencies in 1979 were $30 billion, accounting for some 20% of total U.S. bank volume and growing at an annual rate of 45%.

And who are the customers for these banks? French tiremakers with plants in Georgia, or German machine-tool companies in Milwaukee? If it were only that, U.S. banks would have less to worry about, but by far the largest share of business for foreign banks is provided by U.S. corporate treasurers borrowing for domestic needs. According to a recent survey on large corporate banking prepared by Greenwich (Conn.) Research Associates, three-quarters of the 200 largest industrials in the U.S. now use foreign banks for some domestic banking services. Projecting the entire large-corporate-banking market, the report concludes that big U.S. companies have over 4,000 banking relationships with foreign banks in this country.

"They often undercut us on rates," says a loan officer for one of the largest U.S. banks. "Because they don't have to maintain reserves they have been known to price offshore loans up to 175 basis points below our best offer—an astronomical difference in domestic banking terms." Some foreign banks have been able to win domestic credit-line business by charging only half the normal one-half-of-1% commitment fee and by not requiring the expensive compensating balances that most U.S. banks try to wring out of their corporate customers.

The new reserve requirements are not being grandfathered for the foreign banks, however, so life will undoubtedly be more expensive for them in the days ahead. But their ardor remains undiminished. "We did our sums and came up with the conclusion that the U.S. market was still the right investment to make," says Peter A. Graham, group managing director and CEO of Standard Chartered Bank Ltd. in London. Standard's North American business—primarily in the U.S.—now accounts for 25% of the asset base of the $29 billion British bank. "We're grandfathered with a full service operation in Seattle, Chicago and New York, as well as having our Union Bank subsidiary in California. No American bank could do that."

What's more, not all the new regulations will turn out to be burdens for the foreign banks. The fact that they can now obtain federal charter under the Comptroller of the Currency and carry FDIC insurance will help in attract domestic retail deposits. Reserves hurt, but they will also be the ticke admission to borrowing at the Fed's count window, where cheap funds available for short-term adjustme New regulations that permit them form Edge Act corporations will them in Texas, where Edge corporati are permitted but foreign branches agencies are not.

Not surprisingly, therefore, U.S. ba still complain about the competi rules. "The International Banking will help, but it's not the answer to eq ity," says Judith Erdberg, vice presid world banking division at Bank of Am ica in San Francisco. "We're not afrai competing with foreign banks, but position has been that this could be accomplished by letting up on rest tions on U.S. banks rather than impos them on foreign banks."

Erdberg's sentiments echo those many other U.S. bankers who suppor evolution of U.S. banking toward an terstate, nationwide approach. They want the right to add investment ba ing to commercial banking, a prac forbidden to them since the 1930s permissible to the grandfathered fore banks. Call it turning a problem into opportunity: Instead of pushing the eign banks out of these activities, U.S. bankers hope to use it as an a ment for giving themselves the sa privileges. ■

Why should the Big Eight accounting firms beating the bushes for little clients? Becau some little ones grow bigger every day.

Catching 'em small

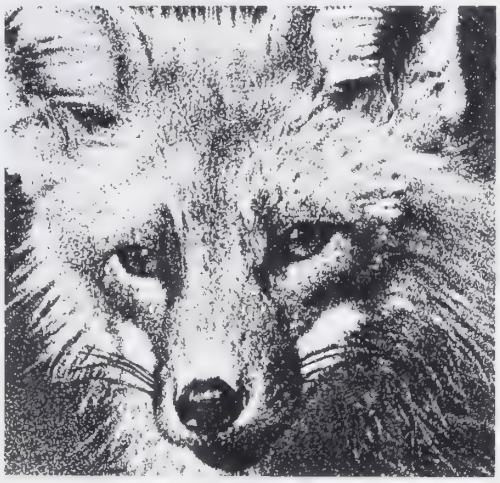
By Bob Tamarkin

ERIC PETERSEN, co-owner of Petersen Printing Corp. in South Bend, Ind., recently received a letter from Coopers & Lybrand asking whether he was interested in the Big Eight accounting firm's services. The solicitation, he admits, rather surprised him. "We're only a $4 million-a-year operation," muses Petersen, who decided to remain with his local accountant.

Meanwhile, out in Monticello, U Arthur Andersen managed to sn Minerals West Inc., a small mining fit, away from a local accounting there. The prize: $5,000 in annual au ing fees, hardly the size account to Andersen's 1,200 partners in fine-ballpoints.

Nevertheless, Big Eight firms their bag of management consulting

Is Northwestern Mutual Crazy?



Yeah, like a fox.

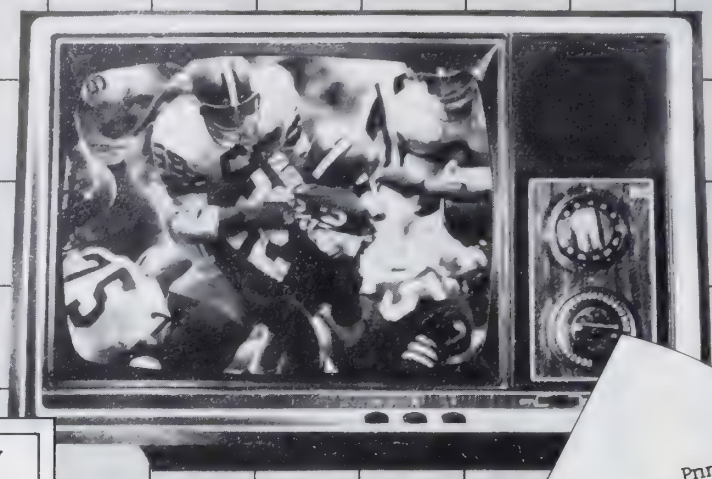
When the Northwestern Mutual Life Insurance Company announced its "GET MORE OUT OF LIFE" program this year, other life insurance companies were a bit worried. Imagine America's 9th largest life insurance company offering permanent policyowners a 14% average increase in coverage without increasing the policy premium*. While future dividends will be slightly lower than they would have been, future cash values on these policies will be higher. This offer is made possible because of a massive and dedicated effort in research and development. It provides a tax savings which can be channeled back to the true owners of the company, the policyowners. The "GET MORE OUT OF LIFE" program is just another example of over a century of continued dedication to providing the best possible life insurance value. As for those other life insurance companies...guess you can say they've been out-foxed again.

*Policies issued after December 31, 1977 already contain these improved features.

NORTHWESTERN MUTUAL LIFE
The usually Quiet Company

© The Northwestern Mutual Life Insurance Company, Milwaukee, Wisconsin 1980

These folks are doing wonders for our coated paper business.



Their popularity is boosting TV ad rates to the point that more advertisers are turning to magazines to reach their prospects.

This in turn is boosting demand for our coated magazine paper.

We anticipated it.

That's why we started building a large new coated paper machine at our Rumford, Maine, mill in September, 1978.

It won't start up until early 1981, but its output is already spoken for.

What if supply catches up?

We anticipated that too. Rumford produces uncoated as well as coated paper, so we can easily increase uncoated production if the coated market softens.

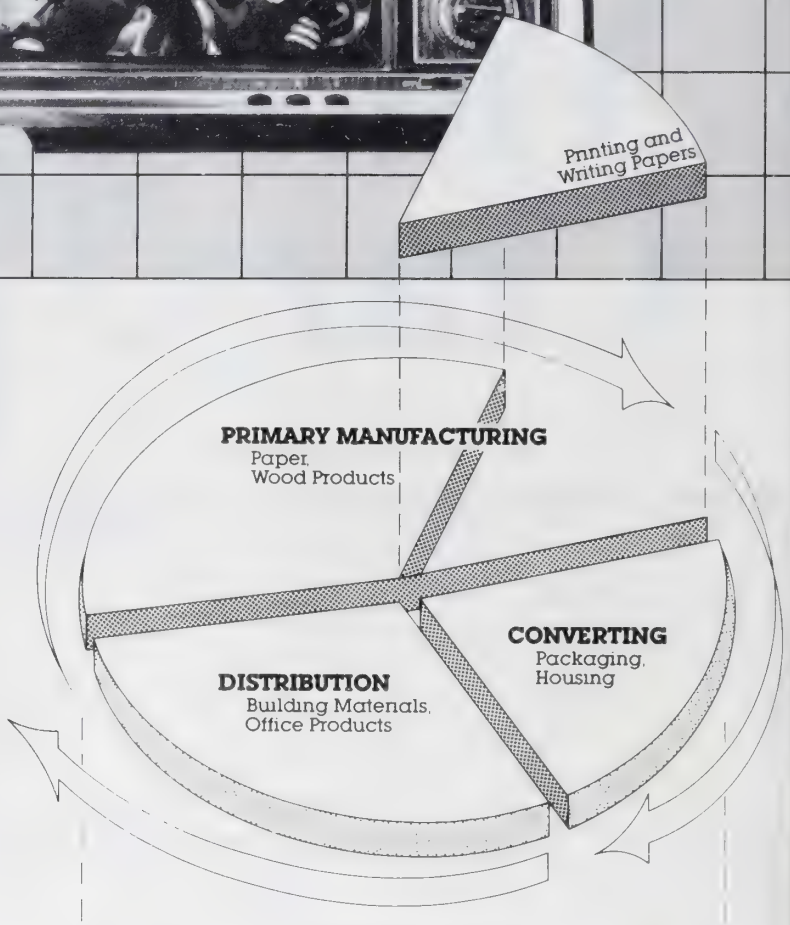
Rumford illustrates a basic strategy.

We'll invest $1.3 billion in our 16 pulp and paper mills between 1979 and 1983 to capitalize on our good positions in the strong white paper and newsprint markets. We know where we're growing.

Think you might like to grow along?

Our annual report might just convince you. For your copy, write Irv Littman, Investor Relations Manager, Boise Cascade Corporation, One Jefferson Square, Boise, Idaho 83728.

Boise Cascade Corporation



Represents 1979 Sales of Major Product Lines Including Joint Ventures

Anatomy of a new kind of wood and paper company.

vices are aggressively wooing the entrepreneur regardless of size. "We'd be pleased to take on a company with under $1 million in sales," concedes Ernest Wish, Coopers & Lybrand's managing partner in Chicago. "What everybody is hoping to find is another Ford or IBM."

Such a thought prompted Arthur Andersen last year to open a suburban office in Rolling Meadows, just 30 miles from its downtown Chicago headquarters, which would give it a better shot at the small companies that have fled the city for the suburban industrial parks. "To become more effective, you've got to go out to the market," explains James Kackley, 37, head of the small-business division, which accounts for 10% of Andersen's Chicago area revenues. Other Chicago suburban areas are now being scouted, according to William Barth, director of Andersen's worldwide small-business practice. "It's a significant part of our business," he says.

Partners [of the Big Eight accounting firms] are under pressure to develop new clients through personal contacts in places like country clubs and civic organizations. . . . Arthur Andersen and its partners contribute about 4% of their cash earnings to nonreligious charitable organizations.

With fewer companies going public and publicly held ones reluctant to switch accountants, the road to growth is clearly in the millions of smaller firms (97% of U.S. companies are privately held, accounting for 50% of the gross national product). This small-business market is also becoming a kind of Big Eight safety valve, an outlet for utilizing potentially idle hours. The big firms are anxious to keep their people busy even if it means cutting rates or chasing marginal accounts.

Small-business practice, of course, is not wholly new ground. Andersen, notes Barth, has had a small-business division since 1944. Price Waterhouse set up its program 15 years ago. But new advertising policies have opened the small-business door wider than ever before. The Big Eight firms were restrained by the "code of professional ethics" of the American Institute of Certified Public Accountants until 1978, when it dropped its 51-year ban on advertising, except for uninvited solicitation. The ban on uninvited solicitation was lifted in March 1979, unleashing a flood of seminars, speeches, pamphlets, newsletters, published articles, newspaper advertisements and direct mail.

At the same time, partners are under pressure to develop new clients through personal contacts in places like country clubs and civic organizations. "We expect our people to be active in the community," says C&L's Wish. Arthur Andersen and its partners contribute about 4% of their cash earnings to nonreligious charitable organizations.

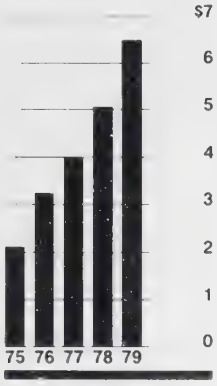
Firms also are going out of their way not to offend the entrepreneur's self-image. For instance, some have renamed their small-business practices with such euphemisms as "Emerging Business Services" (Coopers & Lybrand) and "Metropolitan Department" (Price Waterhouse). They've expanded these departments as well. Three years ago, for example, C&L had 8 people in its Chicago small-business practice. Today there are 20. Thirty-two years ago Andersen had only 6 in its Chicago office. Now there are 130 professionals, making Andersen the area's most formidable competitor.

The Big Eight push has given fits to regional accounting firms. Over the years many of them have built consulting services into the economic foundation of their practices. "We provide the wide range of consulting services as part of our yearly fee," says Jerome Harris, managing partner of Chicago's Checkers, Simon & Rosner, which has annual billings of $3 million to $4 million. The firm has lost clients to both Andersen and Peat, Marwick, Mitchell.

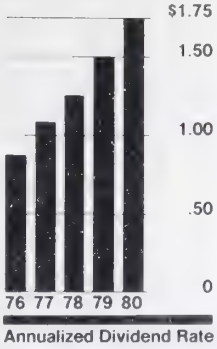
Checkers, Simon & Rosner, like a number of smaller firms, has set up its business services department to prepare monthly accounting statements for companies without an in-house accountant. Smaller clients are more demanding today than they were five years ago and are shopping around a lot more as well, according to Daniel J. Fensin, a partner in Blackman, Kallick & Co., a medium-size Chicago CPA firm. "There's been an explosion of tools, and the cost of computer hardware has tumbled," says C&L's Wish. "Cash flow is the name of the game, and the entrepreneur realizes he can't spend all his time only on sales and product development." In a recessionary climate, the need to get a fix on cash flow becomes even greater.

Regional firms argue that a client gets the attention of a partner at the rate of $32 to $37 an hour, whereas the big firms generally turn the same type of client over to a staff accountant at $40 to $50 an hour. "A small company knows it's going to be small potatoes to a Big Eight firm," says Kenneth I. Solomon, managing partner of Laventhol & Horwath's Chicago office. "A Big Eight firm can't honestly say it's going to pay as much attention to a small company as to a Commonwealth Edison."

But a growing number of smaller companies—so flattered are they by this new courtship—seem willing to risk losing that attention for the prestige of having a Big Eight accountant. ■



Earnings Per Share
(Before Extraordinary Items)



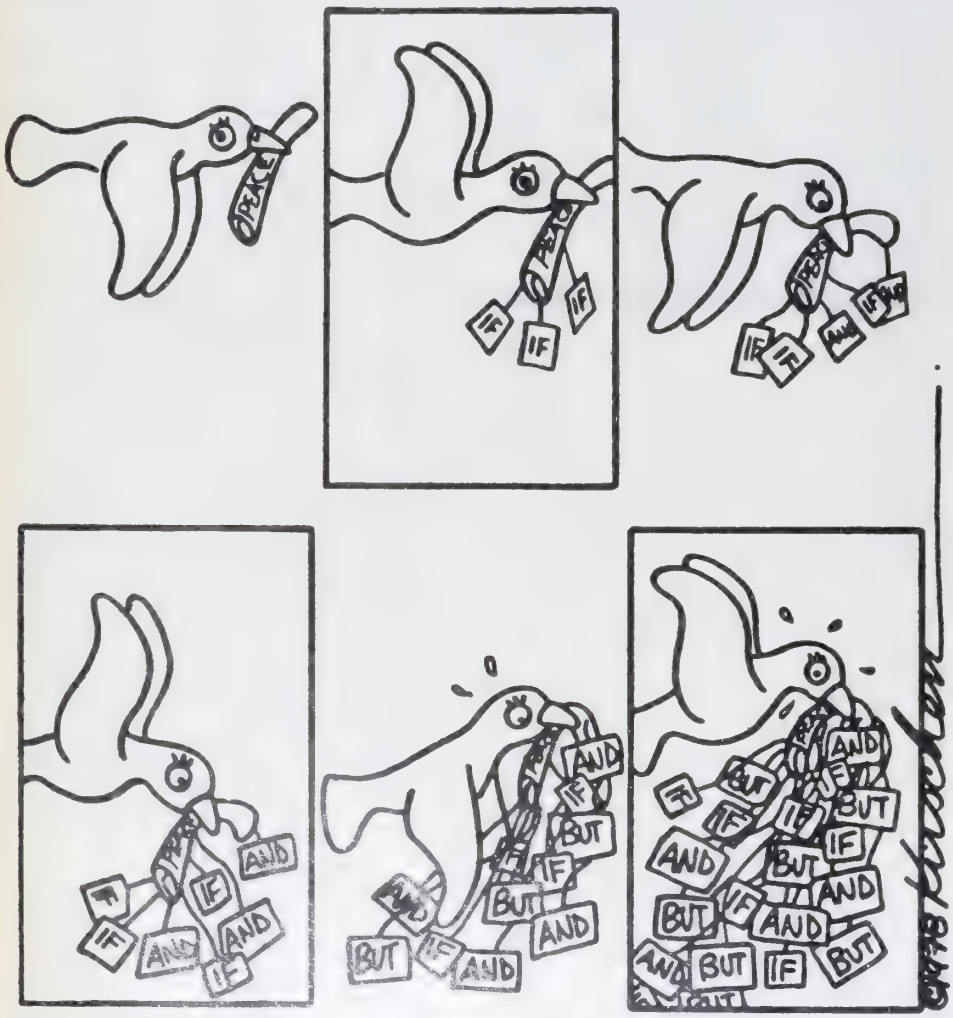
Annualized Dividend Rate

Part 7

Has political turmoil in Israel, bickering over the West Bank, U.S. naivete and Soviet adventurism withered Sadat's olive branch?

Israel at a crossroads

But . . .



The cartoon above and those on the following pages are the work of Yaakov Kirschen, a 42-year-old Brooklyn-born Israeli, whose work appears daily on the editorial page of the English-language Jerusalem Post. In the tradition of Nast, Herblock and Mauldin, Kirschen is tough-minded and unafraid of deflating his audience's pride and prejudices.

By James W. Michaels

SEEMINGLY ENDLESS CONFLICT tween Israelis and Arabs helped Soviet penetration of Middle East, kept the Western Wo oil supply in frequent jeopardy and cumscribed prospects for U.S. trade. and a half years have passed since Ar Sadat visited Jerusalem, but the p process seems mired in bickering legalisms. We visited Israel recentl get a sense of that country's fundame response to the Egyptian presid openhearted recognition of Israel. those new Israeli settlements a fatal back to the peace process? Were the est Sadat and Begin trips to Washin an exercise in futility? How much lo would Israel remain an irritant in U.S.' relationships with the Arabs?

When we called on him in his mo Jerusalem office, Ezer Weizman, the ly Israeli defense minister, was in sheveled mood. "I don't want to about the fate of the world," he sig He was preoccupied with his own p lems, he said, but since these inv nothing less than the prospects for p in the Middle East, we were soon o Israel's Topic Number One, relat with the Arabs. A war hero and nephew of Israel's first president, W man wants to be prime minister thinks he's the man to lead his cou into a rapprochement with the A the man to respond to Anwar Sa stunning gesture.

Such are the convolutions of Is politics, however, that Weizm chances are slim if they exist at all. he may be the most admired politici the country, but he is at war with tough and wily boss, Prime Min Menachem Begin. Weizman is outr at Begin's support for the new Je settlements pushing into occupied t tory, an aggressive gesture in respon Sadat's olive branch. As Weizman sa FORBES:

"We achieve something we ble years for, recognition by Arabs. Afte years a bedouin from Cairo comes. Weizman spread his hands, a gestu disgust and despair. "The Suez Can open, our flag is flying over our emb in Cairo. I say, trust Sadat."

Trusting Sadat, of course, means ing concessions to the Palestinians— necessarily to the PLO—to streng Sadat's position with his fellow A Shoving Jewish settlements into the estinians' faces is not the way to m Sadat look good, but Weizman's bos gin says that Jews can settle anyw they want, and the hell with whethe Arabs like it. Said Weizman: "Son these settlements are crazy."

The latest polls show the Israeli torate, thoroughly disillusioned wit Begin regime, would give the oppos

We made this company a special offer: 40% of its financing at 4%.

We'll make the same offer to you.

We want your business to come to Philadelphia. If it's already here, we want it to stay. And, of course, we want it to grow. That's why we will provide you with 40% of your mortgage financing requirements at 4% interest. The balance will be provided at prevailing conventional rates.

What's the catch?

There is none. As an industrial user, all you have to do is meet minimal employment and development densities.

The Tasty Baking Company did. And the loan we helped them get at 4% made it possible for them to expand their manufacturing facilities by some 260,000 square feet. We'd like to do the same for you.

PIDC **Philadelphia**

Yes, I'd like to learn more about how PIDC can help my business. FM-5/80

NAME: _____

TITLE: _____

COMPANY: _____

ADDRESS: _____

CITY: _____ STATE: _____ ZIP: _____

MAIL TO:
Walter D'Alessio, Executive Vice President
PHILADELPHIA INDUSTRIAL DEVELOPMENT CORPORATION
Suite 1705, One East Penn Square
Philadelphia, Pa. 19107 (215) 568-4448

Labor party 70% of the seats in a new election. That probably means that opposition leader Shimon Peres will be the next prime minister. So, why doesn't Weizman just quit the government and join the opposition? That's a complicated story involving the tangles of Israeli politics, but the fact is that the Begin government may be around for awhile in spite of its unpopularity. If the Knesset were to dissolve itself and call for elections before the fall of 1981, when they are due, it would be putting most of its members out of their jobs. "Suicidal they are not," says an Israeli journalist of the parliamentarians. So Begin stays in power for awhile, not because he's popular but because he is so unpopular.

Israeli politics are convoluted but the real issues are not. Ever since Israel became a state, indeed since the early days when an awakening Arab nationalism first began to conflict with Jewish immigration, the main issue has been how to achieve coexistence. What started as a fairly obscure regional disturbance has become a global issue affecting everyone in the world.

Though few Americans seem to realize the fact, Anwar Sadat, by opening a direct dialog with Israel, was also taki big step toward getting the Soviet U out of the Middle East. Sadat was h fied when President Jimmy Carter posed a comprehensive Middle Eas settlement with Soviet participation erybody should just sit around a tabl Geneva and settle things; it was ano example of Carter's well-meaning bu ive approach. Having kicked the sians out of his own country—one o few world leaders ever to get away that—Sadat did not want their nose under his tent. So he bypassed both ter and Geneva and broke the long o

The world's worst inflation rate?

It's a toss-up between Israel and Argentina for who gains the questionable distinction of having the world's highest inflation rate. How do you cope with an inflation that, in Israel's case, ran as high as 120% last year? Well, one of the first things you do is try to slow it down, but Menachem Begin's Likud government, almost incredibly, lacked an effective anti-inflation policy until a few months ago.

Until 1970 the Israeli inflation rate was a persistent but bearable 4% to 9%. The 1973 war and the oil shocks, administered by OPEC, pushed it into higher ground. The deal by which the Sinai is being returned to Egypt was the last straw. Now Israel must buy on the open market oil it formerly pumped itself and it must share the heavy cost of relocating military bases from the Sinai desert back to Israeli territory in the Negev. Lacking the will or the ability to make cuts elsewhere in spending, the government resorted to the printing presses. Indexing relieved some of the pain of inflation but made the process self-sustaining. Indexing government bonds kept them salable but built yet more inflation into the system.

Belatedly, early this year Prime Minister Begin fired his ineffectual finance minister and replaced him with a tough businessman, Yigael Hurwitz. Hurwitz is trying manfully to reduce government spending. His right-hand man, Director General Yaacov Neeman, puts it bluntly: "The harder and sooner you cut government spending, the more you reduce inflation." Among other things, Hurwitz did away with costly food subsidies. These had kept food prices so low that considerable amounts of subsidized food were smuggled to Arab countries for sale at a profit. Milk was so cheap that some Israeli farmers fed their animals with it.

Perhaps the silliest thing the government did—a pre-Hurwitz decision—was to replace the old Israeli pound with a new currency, the shekel. The two are almost indistinguishable except that one zero has been dropped—a kind of one-for-ten exchange. Sophisticated Israelis regard the whole exercise as a demonstration of their government's fiscal futility.

Since Hurwitz came into office, the inflation rate has dropped from 10% a month to about 5%. But his austerity program is already causing so much pain that there is doubt as to whether the weak Begin government can maintain it. Farmers, bereft of subsidies, are hurting badly. Unemployment, recently almost unheard of in Israel, is beginning to grow; government employment alone is down an estimated 4,000. Hurwitz is a tough man. When the newspapers reported that Israelis were reduced to eating chicken for Passover instead of steak, he quipped: "Did you ever *taste* kosher steak?" But the betting among Israelis is that, as unrest grows, the government will back down. If that happens, Hurwitz will almost certainly resign.

In the meantime, Israelis complain but cope with typical ingenuity. Wages for the average worker are indexed to th cost of living to the tune of 75%. By leaving the other 25% unindexed the authorities have left room for collectiv bargaining. This gives both unions and employers the illu sion that they have some control over wages, although i fact they have almost none. Government bonds are indexe to inflation, both as to principal and to interest. The govern ment, which is the major source of capital, has until recent ly channeled money into areas it considers vital to defens and export industries by lending money at below-inflatio rates; an indirect subsidy.

Businessmen use a variety of expedients. Meyer Resnick a bearded former Los Angeleno who runs a coatings factor for his kibbutz just outside Tel Aviv, offers a deal to hi customers. "Say the order is due to be delivered in si months. I tell the customer, 'Pay me now for the paint an I'll guarantee the price on that part of the contract.' Th labor and other costs, of course, are indexed."

Inflation, inevitably, distorts price signals within a economy and leads to misallocation of capital. Anothe small private businessman tells how he resorts to specula tion to stay in business. "I leased a machine on a long-term contract at a fixed price whereby I knew I would have negative cash flow the first year. I hope to come out on to by making a profit on the residual value of the contract afte the third year." So he loses money on his business an hopes to recoup on his machinery.

Individual Israelis speculate by putting cash into har goods as fast as they can. In tiny Tel Aviv apartments second refrigerators are quite common; one to store food the other to store purchasing power. Color-TV sets ar another popular item even though the Israeli TV systen does not broadcast in color. Again, a means of storin purchasing power. However, set owners reportedly discov ered that some U.S.-made programs could be received i color on their sets. To thwart this, Israeli TV installed filter to remove the color. Rumor has it that enterprisin businessmen are producing gadgets that bypass the filter.

So, Israel copes. But the bitterness grows against Mena chem Begin's government, which seems much more inter ested in bulldozing new settlements in Arab areas than i containing inflation. An Israeli journalist relates the lates black humor:

"Begin is in the hospital. The surgeon must make terrible choice.

"Should he save Begin?

"Or should he save Israel?"

The typically Israeli paradox is that Prime Minister Begi has become so unpopular that he will probably be able t hang on to his job for a while longer. Another paradox i that, if nothing else brings him down, his belated austerit program may.—*J.W.M*

Bell's 222 Twin: a new executive helicopter that belongs beside your Falcon, Citation or Sabreliner.

Traveling swiftly from airport to distant airport is a task ideally handled by corporate aircraft.

However, the majority of your day-to-day challenges may often occur within 200 or 300 miles of your office. This is too short for efficient jet travel, too long for the company car...but ideal for Bell's new 222 Twin helicopter; a 10-place sophisticated business machine with two 675 shp fuel-efficient advanced technology turbines.

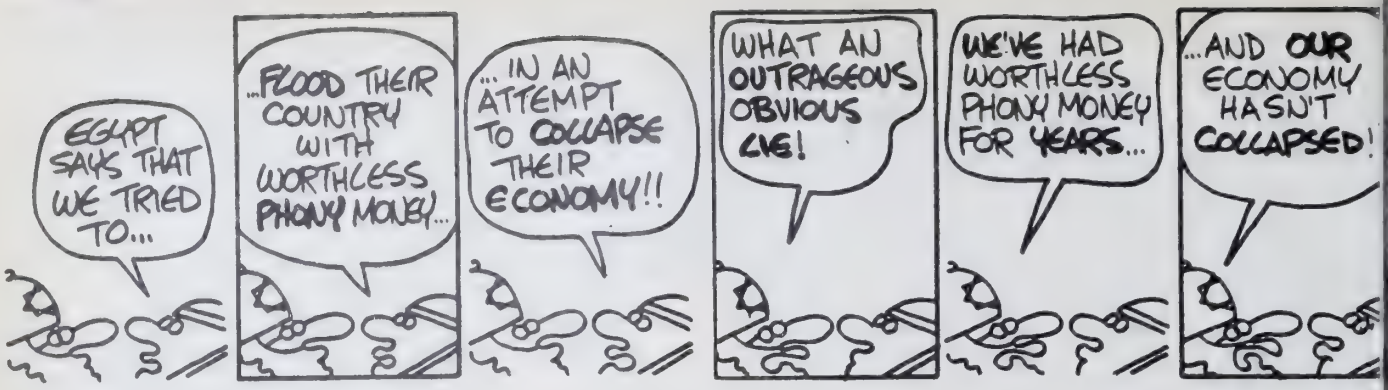
The interior of the 222 Twin is what you'd expect in the most luxurious of corporate jets. Whatever your requirements, they can be provided in an excellent working environment with air conditioning, desks, wide plush seats, cut-pile carpeting and telephones. And the 222 Twin 5-to-8 place cabin seating arrangements can be varied to your needs.

And this environment moves with unprecedented swiftness and smoothness, offering exceptional quite for normal conversations.

So the minutes spent traveling between your office and outlying plants or job sites are working minutes. Meetings become airborne. The 222 Twin will enhance your company image because it's a Bell...a name synonymous with dependability. With it, you'll be using time more efficiently, more effectively. That's what mobility in the business world is all about.

Would you like to see what one can do for you?

For information on the complete line of Bell helicopters designed for Corporate transportation contact Dwayne Jose, Vice President—Commercial Marketing, Bell Helicopter Textron, Dept. 564, Box 482, Ft. Worth, Texas 76101, or call 817/280-2117.



cism that the Arabs had imposed upon Israel. Note this carefully: While excluding the Soviets, Sadat went out of his way to insist upon continued American participation.

Chaim Herzog, a former Israeli ambassador to the U.N., explained the situation to us: "Carter did not understand what the Soviets meant by detente. They meant each side would stay out of areas where the other was dominant. The U.S. would stay out of Eastern Europe. Russia would stay out of Western Europe. But they didn't intend detente to cover Africa or the Middle East. Sadat understood that. It's why Carter reacted so angrily when the Russians went into Afghanistan. He thought they were lying to him. They didn't see it that way."

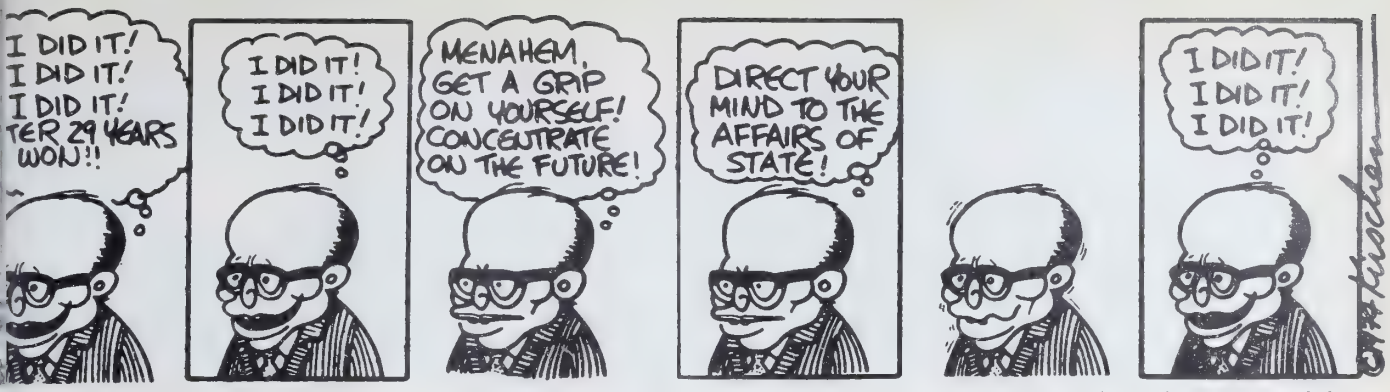
Sadat, while bold, is not foolhardy. In risking alienating other Arabs, he sensed rightly that both his own people and the Israelis were sick of the wars and sick of the Russians. Certainly there is a deep yearning for peace in Israel. When we were there on the day before Passover, there were big demonstrations: Peace now! There is guilt at being an occupying power—Jewish soldiers repressing the aspirations of other people. Says an American journalist stationed in Israel: "The army is worried; it's hurting the young soldiers' morale to be an army of occupation." In Israel the army is not something apart; it is the country. Everyone at age 18 goes into the army—women for two years and men for three; men serve in reserve units until they are 55.

Yet the Israelis are paranoid abou Arabs—and with good reason. It is enough for Americans to say, "Trus Arabs." It is not so easy for Israelis so. There are still plenty of Arabs talk of driving them into the sea an history of four wars is not reassu The real problem, then, is not the se ments that Begin has supported in West Bank. These are the work handful of sincere but misguided pe who think they are fulfilling Bib prophecy. The deeper problem is Israel feels itself militarily indefen within her pre-1967 borders. That is Israel struck first twice—in 1956 1967—so that the inevitable war w be fought on Arab territory and n the narrow waistline of Israel, where

PET FOODS:
one of Liggett's growth centers. Alpo is the No. 1 canned dog food and a major new brand in the fast-growing dry dog food industry.

Other Liggett growth centers are: **spirits and wines** (J&B is the No. 1 Scotch); **soft drinks** (our Pepsi-Cola bottlers are No. 1 in their franchise areas); **recreational products** (No. 1 in sales of physical fitness products, table tennis tables, and basketball equipment); and **smokeless tobacco** (Red Man is the No. 1 chewing tobacco).

d we're all surprised.



s only a half hour away by tank from old boundary.

ot surprisingly, therefore, the Israelis t impatiently to the contention that have given nothing to Sadat in re- for offering peace. In pulling out of Sinai they gave up the only substan- oil production they had and were d to buy what they need from Egypt sewhere at an annual cost of $1.25 on a year to an already overstrained omy. They will soon be abandoning powerful Etzion air base, from which li planes could have intercepted air raiders before they reached Is- airspace. Moreover, Begin himself trouble getting his right-wing and ious partners to accept the abandon- t of Jewish settlements in the Egyptian desert. To outsiders, Israel's reaction to Sadat's peace move may seem grudging; seen from inside Israel, the response seems generous.

President Carter hasn't helped ease Israeli worries. It's not simply that he has pressured Israel to make concessions to the Arabs; Henry Kissinger did *that* under Presidents Ford and Nixon and the Israelis are almost nostalgic about Kissinger. What worries the Israelis is the weakness, the vacillation, the ineptitude that Carter has shown. "Iran was your worst setback since the worst days of World War II," former Prime Minister Yitzhak Rabin told us. The witty and articulate Abba Eban, in an undisguised swipe at Carter's human rights policy: "What you Americans have to prove is not your goodwill—you have demonstrated that—but your power." The point is that the Israelis could take more chances for peace if they saw a strong and confident U.S. behind them instead of a timorous and clumsy one.

Like the Saudi Arabians, the Israelis keep themselves well informed on U.S. politics and have strong opinions about it. Few of them profess any admiration for President Carter—Weizman is an exception—and they have nothing but contempt for Teddy Kennedy. Several Israeli leaders simply made a face when Kennedy's name came up. Weizman was more outspoken and brought up Chappaquiddick: "To leave a dying woman? What does that say about his character?" What about the heavy Jewish vote that gave

IS IT ABSURD TO PROPOSE THAT EVEN THE RICH DESERVE THEIR MONEY'S WORTH?

THE BMW 633CSi.

The fact that no consumer advocate has yet strode forth to defend and protect the interests of those who can afford a $30,000 sport coupe is probably not the least bit surprising.

Yet the topic is ripe for anyone with a sense of justice.

For in today's government-regulated, pollution-controlled, fuel-obsessed world, the performance characteristics of some of the most exalted cars appear to be diminishing in inverse proportion to their price.

A TRUE SPORT COUPE IS MORE THAN JUST A CAR WITH TWO SEATS.

There are those who are fond of pointing out that even before pollution controls became a serious handicap, the performance levels of certain expensive cars hardly lived up to their price stickers.

A supportable conclusion that makes the performance statistics of the 633CSi seem all the more remarkable. (And makes the fact that it is only available in severely limited numbers a bit disheartening.)

Its suspension system—independent on all four wheels—has a singular capacity for removing the drama from even the most unnerving road conditions.

Press the accelerator and you'll experience a phenomenon automotive enthusiasts have all but given up for lost: instant response.

In truth, the 633CSi's six-cylinder, overhead cam engine performs in a manner that would be exhilarating even by pre-pollution control standards.

Yet, the 633CSi (with standard transmission) delivers 16 EPA estimated mpg, 23 estimated highway mileage and, based on these figures, an estimated mpg range of 262 miles and a highway range of 377 miles.

(Naturally, our fuel efficiency figures are for comparison purposes only. Your actual mileage and range may vary, depending on speed, weather and trip length. Your actual highway mileage and highway range will most likely be lower.)

And, unaccountably, the 633CSi is the only "luxury sport coupe" in its price class to provide a four-speed manual transmission as standard equipment. (Automatic is, of course, available.)

TRUE LUXURY IS AN INTERIOR ENGINEERED TO THE NTH DEGREE.

It's difficult to imagine an appointment, a convenience or an accessory that has been omitted in the BMW 633CSi.

AM/FM stereo cassette, electric sunroof, electric windows, electric side-view mirror—even a central-locking system that locks both doors, the trunk lid and the gas door with the turn of a single key—are all standard equipment.

Yet, all facets have been biomechanically engineered to the nth degree to help eliminate driver fatigue.

Its seats are anatomically shaped buckets, covered in wide rolls of supple leather. Its front seats are so thoroughly adjustable that it is all but impossible not to find a comfortable driving position.

All in all, in a time of lowered automotive expectations, the BMW 633CSi remains a bastion of hope for the serious driver.

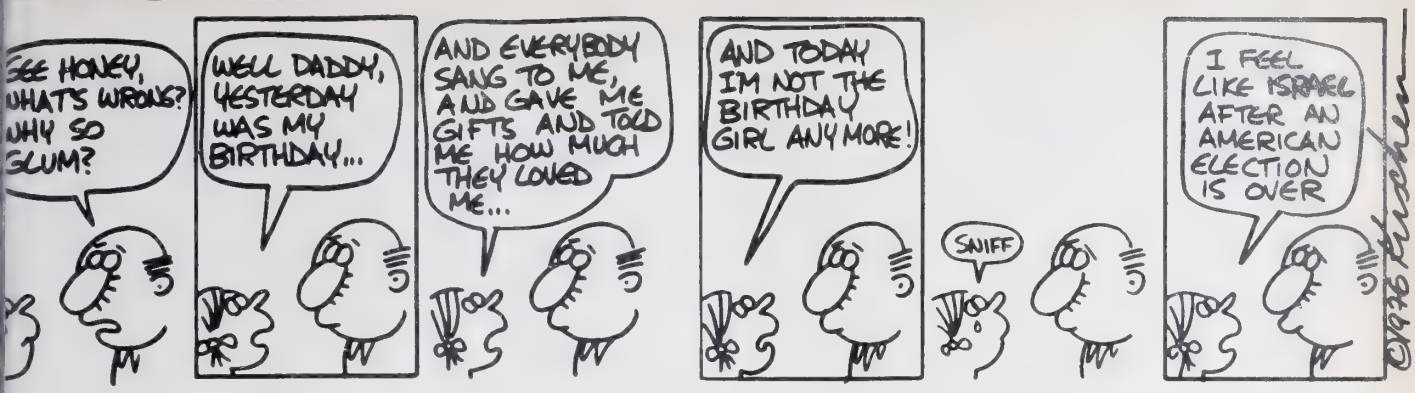
If you find the notion of owning such a car more than a little intriguing, we suggest you phone your nearest BMW dealer and arrange a thorough test drive.

THE ULTIMATE DRIVING MACHINE.

BMW MUNICH, GERMANY

© 1980 BMW of North America, Inc. The BMW trademark and logo are registered trademarks of Bayerische Motoren Werke, A.G.

omises, promises . . .



nedy a victory in the March New : primary? It was more a protest nst the Administration's vote in the . than it was an affirmation of sup- for the man. Ronald Reagan? He was unknown quantity to the Israelis n we spoke with them in late March; good bet they know more now.

uite clearly, then, the next major for peace in the Middle East won't e until a new government is seated erusalem and the 1980 election is ded in the U.S. President Carter's ssary, Sol Linowitz, came back from Middle East empty-handed in March, the Begin and Sadat visits to Wash- on accomplished little more than an ement to keep the dialog going be- en Cairo and Jerusalem with U.S. icipation and encouragement.

ter the elections? We came away uaded that the chances for lasting e between Israel and the Arabs are etter than they may seem.

There is a lot of theater in the Middle , a lot of charade," says a shrewd observer. Begin still stirs dreams of eater Israel, and the "confrontation" s still talk bloody revenge, but the are against both of them. Israel is tarily strong and the U.S.—whether U.S. of Carter or of Ronald Reagan— mly committed to its survival. Pan- unity is not even a failure; it is a . Except in a cultural sense it never any reality. Significantly, pan-Islam not conceived by Arab Moslems but by Arab Christians seeking an Arab identity for themselves outside of Islam; the Moslem Arabs swallowed the slogan but not the reality. Here's the reality: Even the fall of Sadat would be unlikely to push the Egyptians into yet another futile war in which they have nothing to gain. Syria is more a menace to itself these days; its tanks point their guns at Aleppo, not at Israeli kibbutzim. Iraq is close to war with Iran and never was an effective contributor to war against Israel. The ruler of Libya, Qaddafi, is, as his neighbor Sadat says, "a mental case" who has lots of airplanes but few pilots. King Hussein of Jordan is happy with his new baby and Amman's growing prosperity. The West Bank Arabs are restless but not really dangerous. The PLO, its radical fringe aside, has resorted to a diplomatic game of using Arab wealth and influence to gain it a respectable diplomatic role in any eventual settlement in the Middle East.

Ezer Weizman thinks that he is the only personality with the prestige to lead Israel into a real compromise with the Arabs. He sees himself in a role analogous to ex-President Nixon's in bringing the U.S. and China together. Or as Moses, maybe. But even without Weizman, the momentum for peace and for acceptance of Israel seems unstoppable.

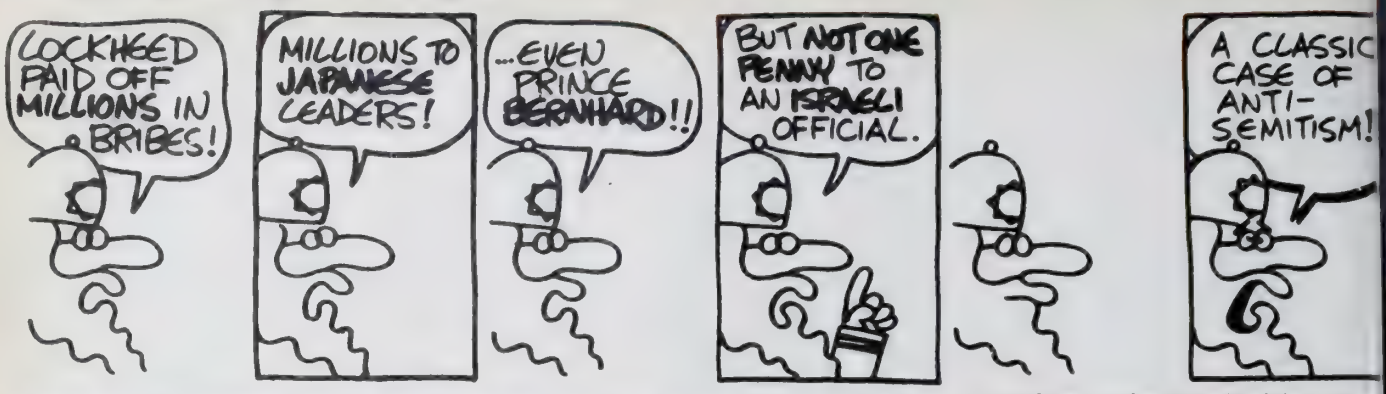
But how do you cut the knot? How do you get the Israelis out of the West Bank? How do you get King Hussein to come out of hiding and join the peace party? How do you get a settlement that will salvage something for the Palestinians without prejudicing the military safety of Israel? How do you scale the walls of old rhetoric?

We spent several hours with Simha Dinitz, the brilliant former Israeli ambassador to Washington, now vice president of Hebrew University. Dinitz, a good friend of Henry Kissinger, says that the answer lies in proceeding with negotiations without trying to create any permanent solution at this time. "Some of Begin's group want to make annexation of the West Bank an attractive option," Dinitz said. "On the other hand the U.S. and Egypt are trying to create an option for a Palestinian state. So we have a clash; neither of these options is remotely acceptable to the other side. So, we ought to abandon both options for now and leave all the possibilities open for five years." Dinitz sees an eventual partition of the area, with the Israelis keeping militarily important ground while the heavily populated areas enter some kind of confederation with Jordan.

Yitzhak Rabin, that splendid general whose career as prime minister was cut short by the Labor party's unpopularity after 30 years in office as much as by a minor scandal, echoed Dinitz: "Peace," he said, "is a process, not an event." But peace is also trust. The Israelis would be foolish to let down their military guard as long as the Soviet Union is deter-

et the pres . . .

They're picking on us again!



Prime Minister Begin and President Sadat
Against odds, managing to keep the dialog going.

mined to make mischief by thrus
weapons on potential enemies. But
would be equally wrong to refuse to
risks for peace other than those
have already taken in the Sinai.

No amount of reading or talking
pares the first-time visitor for the
prise that is Israel. Before the Jev
colonization those barren, stony Jud
hills must have resembled the moon
parts they still do. How could suc
waterless, treeless place (one is temp
to say godforsaken but then one rem
bers it is the land of the Bible) have b
turned into a flourishing modern soci
in less than a third of a century?

How can Hebrew have been tur
from a dead language into a livi
working, vibrant tongue in not m
more time? How can such a coun
have built a first-class aircraft indus
become proficient in computer techr
ogy and revolutionized agriculture in
desert? It defies belief. Here is a nat
that has proven patriotism and milit
service are not incompatible with
mocracy and individualism. The wh
thing is a triumph of spirit and mi
over matter. By comparison with
Israeli economic miracle, the Germ
Japanese and Brazilian "miracles" p
into insignificance.

You come to Jerusalem expecting
dusty old place and find instead a mode
city with perhaps the most harmonic
architecture in the world—harmonic
because the city's farsighted leaders
creed that all the buildings, whate
their style, must be faced with the nati
Jerusalem stone.

Israel, in short, in building a new so
ety on democracy and religion is a livi
insult to communism, which started
build a new society and built a jailhou
instead. Israel is equally an affront to t
Khomeinis, who want to turn back t
clock and restore women to the ve
Both communists and Khomeinis fe
threatened by this demonstration
what democracy can accomplish. N
wonder a great Moslem like Anwar Sad
sees in Israel so much he would like
emulate in Egypt. No wonder the Kre
lin and Qum would like to see Isra
destroyed. ■

Where do airline people fly off to when it's time to retire?

Acapulco? Miami? Honolulu? Well, when it's time for the employees of Western Airlines to retire, perhaps the most important spot on the globe is Newark, NJ.

From Newark, The Prudential Insurance Company of America directs the investment of a substantial portion of Western Airlines' pension plans. For Western, America's senior airline, Prudential invests pension assets in stocks, fixed-income securities, real property, and other investment vehicles. For over 3,000 other clients—from the International Union of Electrical, Radio, and Machine Workers (IUE) to International Harvester; from the Cleveland Electric Illuminating Company to the Cleveland Clinic Foundation—Prudential performs a variety of pension-related activities.

Prudential is one of the world's largest investors of pension funds, with group pension assets in excess of $19 billion. Last year, each of Prudential's U.S. Group Pension bond and common stock accounts outperformed the standard market indices in their investment areas.

Find out how prudent it can be to fund your pension with Prudential. For more information write or telephone: Bob Dunphy, Vice President, Group Pensions, Prudential Plaza, Newark, New Jersey 07101, (201) 877-7884, or Lloyd Schaffer, Vice President Group Pensions, 5757 Wilshire Boulevard, Los Angeles, CA 90051, (213) 857-4635

Prudential

The Prudential Insurance Company of America

Your first minute at Marriott.

One minute should be more than enough to show you why Marriott stands apart from every other hotel company in the world.

To show you why, for example, Marriott has won far more Mobil "4-star" awards than either Hyatt or Hilton–and more than Sheraton, Western International, and Holiday Inn combined.

It's not that Marriott offers things other hotels don't. It's simply that Marriott sticks to the basics, but serves them up with such a passion for perfection that they suddenly seem fresh, a revelation.

Imagine! A hotel run the way a hotel ought to be run. Genuine warmth from the people who greet you and help you with your luggage. Attentiveness from the desk clerk. Rooms that are immaculate. Waiters and waitresses who smile.

You'll find Marriott hotels downtown or near airports in most U.S. cities and at many resort and foreign locations, too. To reserve, call a professional, your travel agent. Or toll-free 800-228-9290.

WHEN MARRIOTT DOES IT,
THEY DO IT RIGHT.®

Marriott Hotels

ANY ONE OF
IESE 75 MARRIOTT HOTELS:
TED STATES
nta, GA/Airport, Downtown,
terstate North, Perimeter Center
in, TX
imore, MD/Marriott's Hunt Valley Inn
ksburg, VA
ton, MA
cago, IL/North Michigan Avenue,
Hare, Marriott's Lincolnshire Resort
innati, OH
eland, OH/Airport and East
umbus, OH
as, TX/Market Center and North
ver, CO
Moines, IO
oit/Ann Arbor, MI
Lauderdale, FL
Wayne, IN
eston, TX
nd Rapids, MI
isburg, PA
ston, TX/At the Astrodome,
okhollow, West Loop
anapolis, IN
sas City, MO
West, FL/Marriott's Casa Marina Inn
of the Ozarks, MO/ Tan-Tar-A Resort
Angeles, CA
sville/Clarksville, IN
co Island, FL/Marco Beach Hotel & Villas
na del Rey, CA
mi, FL
vaukee, WI
neapolis/Bloomington, MN
Orleans, LA
port Beach, CA
York, NY/Marriott's Essex House
ndo, FL
delphia, PA
burgh, PA/Greentree and Monroeville
and, OR
dence, RI
ho Mirage, CA
rriott's Rancho Las Palmas Resort
ester, NY/Airport and Thruway
le Brook, NJ
uis, MO/Airport and Downtown
Antonio, TX
Francisco Bay, CA/at Berkeley Marina
a Barbara, CA/ Santa Barbara Biltmore
a Clara, CA
sdale, AZ/Marriott's Camelback Inn
erset, NJ
gfield, MA
ford, CT
use, NY
on, AZ
ington, DC/Bethesda, Maryland,
stal City, Dulles International Airport,
Bridge, Twin Bridges
RNATIONAL
ulco, Mexico/Paraiso Marriott
erdam, The Netherlands
ados, West Indies/ Sam Lord's Castle
ran, Saudi Arabia
uit City, Kuwait
dh, Saudi Arabia/Khurais Marriott Hotel
RE
eim, California, '81
lo, NY/Amherst '81
mbus, OH/North '81
er, CO/City Center '81
n Head, SC '81
ton, TX/Airport '81
, HI/Kauai Marriott Resort '82
, HI/Maui Marriott Resort '81
a, FL '81
ake City, UT '81
e, WA/Sea-Tac '81
ington, D.C. '80
hester County, NY '81
eserve a room at any one of
se Marriott Hotels, call toll-free
)-228-9290.

Max Karl and Bill Hemphill have brought their mortgage-insurance money machines through some rough times. Can they do a repeat through this credit crunch?

The survivors

By Richard Phalon

THERE'S ONE THING YOU CAN SAY about William L. Hemphill, CEO of United Guaranty Corp., and Max H. Karl, CEO of MGIC Investment Corp. They're survivors. The mortgage insurance companies they head are the only freestanding publicly traded ones of any size left in a field that once encompassed at least six others. The competition has been swallowed by the likes of Merrill Lynch, Greyhound and Allstate Insurance—dramatic recognition that a franchise in the mortgage insurance business is a license to print money.

Look at the record. Since 1976 MGIC's earnings have tripled (from $25.4 million to $76.7 million) and UG's more than doubled (from $7.1 million to $15.3 million). But now, Hemphill and Karl are marshaling their considerable skills for another test of their survival capacity.

Thanks to the credit crunch and the heavy pressure it has put on mortgage lenders' ability to make loans, housing starts are heading for the cellar—perhaps to as little as half the 2 million registered in 1978. That means a considerable drop in the premium income Hemphill and Karl can expect to draw from new home buyers. The coverage—paid for by the home owner—is designed to protect lenders against default on mortgages typically made against modest down payments. But with few buyers around who can get—or afford—mortgage money at 16% to 18%, Hemphill and Karl are beginning to feel the pinch.

Applications for new coverage were off almost 25% at both UG and MGIC in the first quarter. The rest of the year looks no better. "We may even see things decline a little more before it turns around," says Max Karl. "The world is not falling apart," adds his good friend Bill Hemphill, "but it's going to get worse through the next six months."

Both men have the sense of survivorship that comes from having gone through the credit crunches of 1966 and 1969-70 and the great bloodletting of 1974-75, when earnings at both companies were hit hard. "The blood was flowing freely," chuckles Bill Hemphill in the soft accents of his native North Carolina, "and a lot of it was ours."

UG's Hemphill

Renewals and outsiders at the gates.

Experience is the great teacher. Karl and Hemphill have been preparing for rough weather for more than a year now. They've already cut selling costs and reduced debt, moves that should help to offset some of the squeeze they expect on profits. The incentive for both men to keep their profit ratios up—and thus their stock prices—is greater than ever. The sharks may already be in the water: MGIC has been high on Wall Street's list of takeover prospects since last summer, when rumors of a bid by American Express Co. touched off a big runup in the stock. Nothing came out of that go-round, but MGIC has held up pretty well in a generally down market—a sure sign that The Street expects some action.

UG has already been rocked by two

major acquisitions of its stock. In late March, on the very day that PennCorp Financial, Inc. was explaining to securities analysts why it had picked up 6.6% of UG's common, another insurance holding company—the American International Group—announced that it had snapped up almost 10% of the mortgage insurer's outstanding.

Both PennCorp and AIG have said they have nothing more in mind than "investment." Whether that means investment investment, or investment in the octopodan takeover sense, remains to be seen. It is clear, though, that both Hemphill and Karl are about to go through a trial in which their ability to survive as independents will be severely tested.

How severe the test will be depends partly on how big a bite the credit crunch and recession take out of the housing market. There are plenty of opinions—plus quite a few cracked crystal balls. In January, for example, the National Association of Home Builders was confidently talking of 1.2 million housing starts for the year. Now, with far less confidence, it is talking of less than 1 million starts. Last fall Max Karl figured MGIC would show record earnings again this year. Now he is saying they will probably be flat—"a matching," he says, with last year's $3.36 a share.

Bill Hemphill's scenario is considerably less optimistic. Karl is looking for a turnaround in housing starts late this year. Hemphill sees no improvement until the fall of 1981. Outside analysts—Leandro S. Galban Jr. of Donaldson, Lufkin & Jenrette, for one—tend to agree with Hemphill. Galban thinks profits at both companies will be down this year and maybe next.

"The real cruncher," he says, "might be when people realize that 1981 might not be better and may be even worse than this year." The stock market's memory is notoriously short. A couple of so-so years back to back might make a takeover just that much easier.

A drop in housing starts and sales inevitably translates into slower growth for Hemphill and Karl. It's the continuing thrust of new business that has made the PMIs (private mortgage insurers) such wonderful money machines. In a kind of closed loop, a sizable chunk of premium income flows through tax-deferred loss and contingency reserves into investment portfolios heavy with tax-exempts.

UG's investment income, for example, has been rising at about the same rate as underwriting income—from $1.02 a share in 1976 to $1.68 last year—but the bulk of it is tax free: It goes down to the bottom line at marginal cost. The reciprocating link between premium income and investment income is one feature that has made the PMIs so attractive to outsiders. Why the PennGroup interest in UG? "It's a money machine beyond belief when business is good," says one analyst. "They don't care about underwriting income so much as income from the investment portfolio."

That's a bit of overstatement. Growth in new business also means growth in highly stable renewal premiums—high-margined premiums that go on the books at modest underwriting cost and tend to stay there anywhere from seven to ten years. Renewals at MGIC, for instance, have swollen to the point where they now account for what Max Karl says is "about 60% of current business."

Both Karl and Bill Hemphill are counting on the high level of renewals to help them through the tough times ahead. Since the renewal books are much thicker now than in 1974-75, both men insist their results are going to look a lot better than they did in the last crunch. They also think that the jettisoning of such losing lines as mobile-home insurance will enable them to hold a much better earnings profile than five or six years ago. "We don't have any problems like that today," says Max Karl.

One problem that remains, though, is the impact of rising loss ratios. When times get tougher, people who are in over their heads find it just that much harder to hang on to their homes. In the case of a default, the PMIs have to make good on their coverage by paying off on the lender's loss, which means lower profit margins. At the moment, losses at h MGIC and UG are running at aro 15% of earned premiums—not unusu high. Both Max Karl and Bill Hempl however, expect losses to climb.

There has been no dramatic upsurg outright defaults as yet, but the port may be there. The "cure rate" on de quencies—mortgage payments that in arrears—has slipped from around 9 to 80%. "That's the thing that w increase our loss ratios," says Karl.

The losses tend to move in lock with unemployment. Karl thinks th dustry, thanks to its thick renewal b can live on its fat as long as unemp ment doesn't rise above the cur 6.2%. Losses, he notes, "don't incr substantially until you see 8% or mo

That point may be closer down road than many expect, but Karl Hemphill like to talk about the brig days they see ahead through the res the Eighties. The demographics—a bulge in the group of first-time h buyers, age 25 to 34, who make up PMIs' major market—are indeed pro ing. The big problem is how to mak there through what is shaping up very hostile environment.

"Things look so good right through Eighties that you want to turn the p fast," says Hemphill. It will take s doing to be among the survivors w the new chapter is written. ■

Why have a soggy $2 billion conglomera when you could have a couple of good sp cialized outfits instead? That's the hard que tion Al Rockwell is putting to SCM Corp.

Here's a suggestion —or else!

By Jefferson Grigsby

NEW YORK-BASED SCM is a second-rate conglomerate with some first-rate parts, and it is priced in the stock market like a second-rate conglomerate. It sells for about half its conservatively stated book value, and at barely 4 times 1979 earnings. Such companies inevitably attract takeover tries. Last year an obscure financial type named N. Norman Muller made a pass at SCM and, though he owned only 3% of the st gathered proxies for 31% of the 9.6 lion shares. At the time, FORBES c mented: "If Norman Muller doesn't s ceed in capitalizing on the disaffectio SCM stockholders, the odds are good someone else will try."

Late last month someone else This time it was no financial lightwei but an industrial and finan heavyweight, Willard F. (Al) Rockw 66, the retired chairman of giant R

YOU'D EXPECT TYPE LIKE THIS FROM A FINE OFFICE TYPEWRITER. BUT NOBODY CAN TYPE THIS FAST.

If these words you're reading look like they came off your secretary's electric typewriter, look again.

This advertisement was "typed" by an electronically-driven character printer.

Which can hammer out letters, numbers and symbols faster than you can read them.

As if that weren't enough, this printer can combine two different alphabets in the same text.

For example, Sie können das deutsch Alphabet schreiben, mit Großbuchstaben, Umlauten, u.s.w.

Or, if you want, Vous êtes a même de prouver votre habileté in français.

Or, you can アナタノニホリヨノチツキヲミセナサイ

The character printer that does these fancy (but useful) tricks is the TwinTrack®.

It's made by Qume®, some of the people of ITT.

And as you can see in the photo below, it has two printing heads.

One head you can reserve for English characters.

And by slipping a different printwheel into the second head, you can add other characters.

From chemistry, electronics, or such:

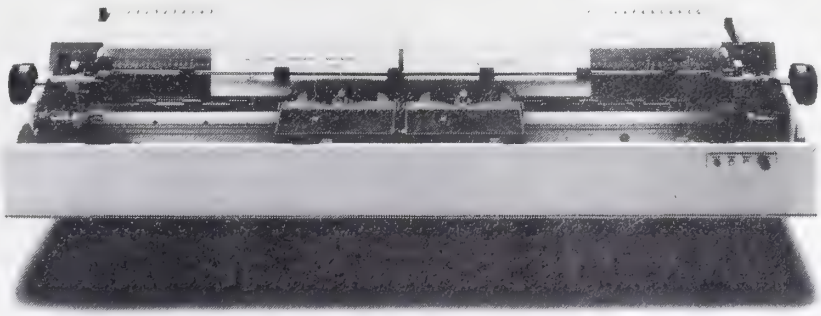
≈πo{}{}∫÷[μ ±´/~Å0123456789
∑^¨∏∓±∫∇∞ΨΦ←≤Λ↔↑≥≅↓∂( ).
ℓΓΘΣ→ΞΣΔΩT≃√⊥≠•
‖αβψφε~ληιΞκωνοργθστξ×δχυζ⊙∢α

In all, 94 different type faces in 22 languages.

To be sure, not everybody needs a Qume TwinTrack that can do all these things.

But if you're in international business or some highly technical field, there's much to be said for having two sets of characters side by side.

Because they can do so many jobs that otherwise would have you beside yourself.



The best ideas are the ideas that help people. ITT

© 1980 International Telephone and Telegraph Corporation 320 Park Avenue, New York, N.Y. 10022

well International. Al Rockwell's family name is on two big corporations, R-I and Rockwell Manufacturing, and he does not lack capital. Over the coffee cups in SCM's Park Avenue executive dining room, Al Rockwell broke the news to SCM President Paul H. Elicker. Rockwell said he now owned about 125,000 shares of SCM stock, was prepared to buy more and wanted some major changes made. He suggested that Elicker should sell off SCM's anemic Durkee Foods division, which produces 12% of the conglomerate's profits on 25% of sales. Then he should reorganize what's left (mostly Smith-Corona typewriters, Allied Paper and Glidden Coatings and Resins) into two new companies and spin both off to the stockholders. Elicker said he would think it over.

If Elicker and his board reject the idea, Rockwell says, he will mount a new proxy battle to take over SCM at its annual meeting in October.

Rockwell thinks his plan makes business sense and stock market sense. He explained it to FORBES: "Nobody's interested in small conglomerates today. These days, investors are institutions, and institutions don't want conglomerates. They want a chemical or an office equipment play. SCM's food business has been a drag on the company for a long time. Once you get rid of that, office equipment and typewriters and papers fall naturally into one company and paint and chemicals into the other."

Rockwell first got interested in SCM during last year's proxy fight. He bought 100,000 shares at between 24 and 26 (recently he picked up about 25,000 more). "I assumed something would happen—a takeover or something," he says. Instead, company and stock went back to their old mediocre ways. SCM will have about $1.9 billion in sales through its June 30 fiscal year, but earnings flattened in the third quarter, net margins were running at 2.6% and return on equity was at about 12%. The stock, which got up to 32 last fall, sank to 21 recently. As Al Rockwell's $3 million investment sank with it, he decided do something.

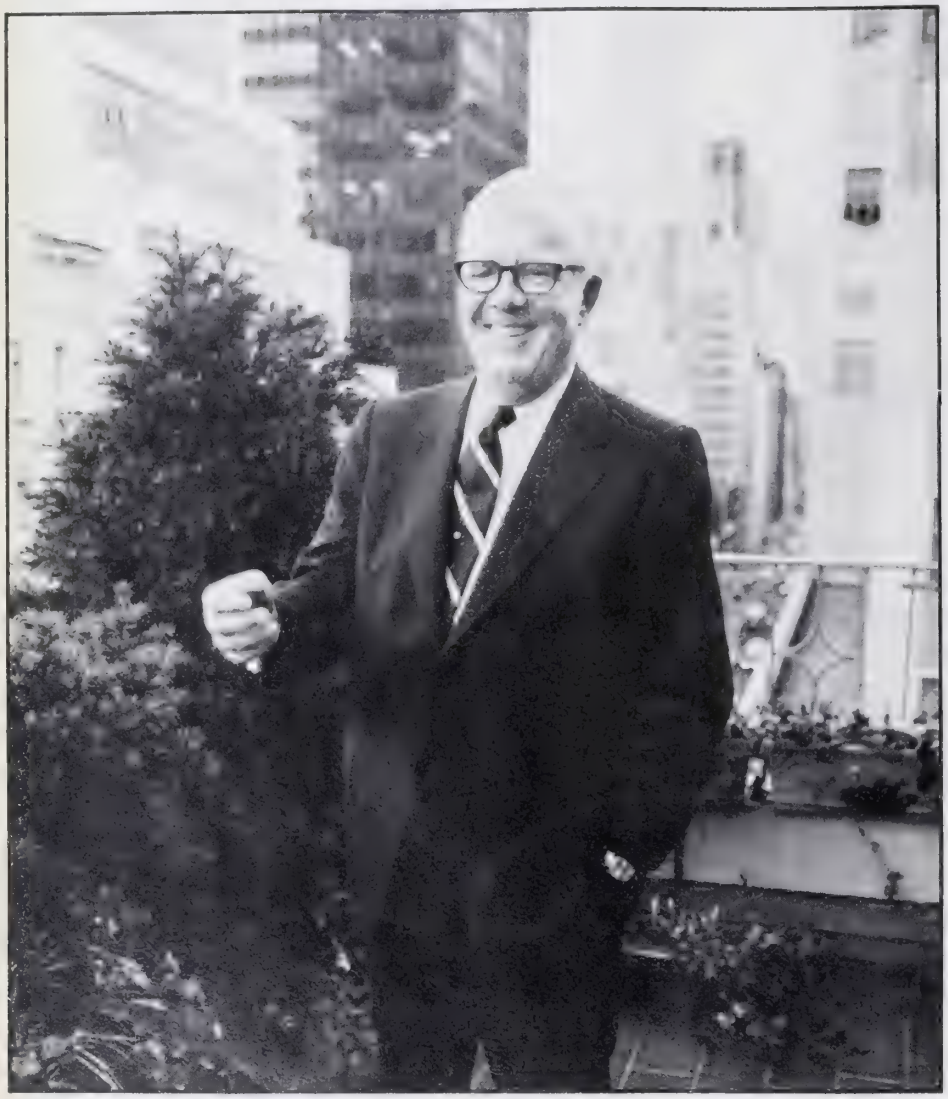
SCM, the old Smith-Corona typewriter company, jumped blithely into copiers in the go-go Sixties and has wandered in the wilderness ever since. Now virtu out of copiers (3% of sales in 1979), S has pressed a seven-year-long antiti suit against Xerox from which it garnered not a penny of damages so while spending some $20 million in l costs. SCM almost defines the comp where ownership and management divorced. Its board of directors bo such names as George D. Kennedy, pr dent of International Minerals & Che cal, and Abbott Laboratories CEO Rol A. Schoellhorn, but no outside direc owns more than 500 shares of st Elicker himself owns or has options 77,015 shares, but that's less than 1% the stock. Says Al Rockwell: "The nobody on that board who has as m stock as I have."

Rockwell insists he's not out a Elicker's scalp and, in fact, would lik keep him on in an advisory capacity the very least. "I'm not after the job," says. "I just think the wrong strat decisions have been made." Others his directors' slate: Donald S. MacLe former Rockwell International gen counsel and later Al Rockwell's admi trative assistant specializing in inves relations; Thomas F. Hopkins, a for R-I vice president; and Lone Star Ind tries Chairman James E. (Jimmy) Stew (FORBES, *Dec. 11, 1978*). That's a lot financial fire power especially if Stew one of America's real corporate com gets deeply involved.

Rockwell says he and his associa will be prepared to buy up to 1 mill shares of SCM stock. Says he: "After about 3 million shares voted agai management last fall. Add a mill more to that and you're coming pre close to majority control."

What about last year's challenger, N man Muller? Says Rockwell: "I've ne met the man." Says Muller: "No co ment." The betting is, however, t Muller is pretty well out of the pictur

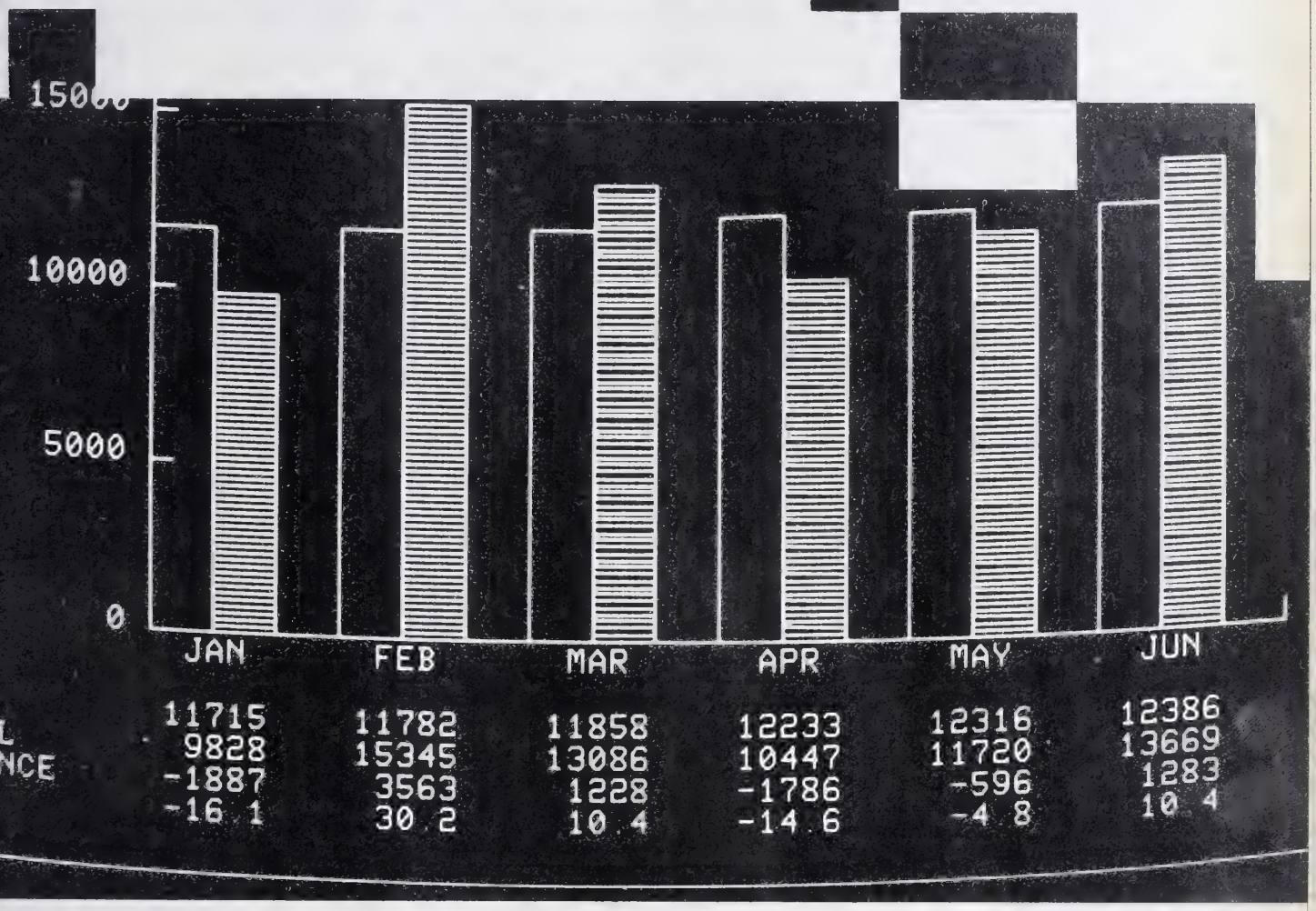
Rockwell believes many of SCM's visions generate profits that would noticeable once the company is shorn the food division. SCM's $245 milli paper business, for example, had a 2 return on investment in 1979; coati and resins returned 16%, and typew ers and appliances 15%. Says Rockw "Last fall's vote was a mandate to Elic to get off his duff. So far, I can't see t much of anything has happened." Ho ever, SCM's management will have a more trouble brushing off this challe than the last one. Al Rockwell and associates may even be starting a tre There are lots of companies arou where mediocre businesses are dragg down good ones and where the parts worth more than the whole. Maybe, Rockwell suggests, the 1980s will be t decade when "pure plays," for all th cyclicality, make a comeback in inv tors' affections. ■



SCM stockholder Willard F. Rockwell

If it's worth more dead than alive, are the parts worth more than the whole?

BOEING COMPUTER SERVICES OFFERS PROVEN FINANCIAL ANALYSIS TOOLS TO HELP OPTIMIZE YOUR FINANCIAL PERFORMANCE



Our capability began in The Boeing Company which recognized the need to provide managers at all organization levels with a state-of-the-art business management tool to help them plan and control their resources. It was called Executive Information Services (EIS).

Today, EIS is just one part of a comprehensive package of financial analysis tools called Financial Management Services designed to help you in budgeting, estimating, tracking, P&L analysis, forecasting, modeling and risk analysis.

That's not all. Our full product line offers you more ways to optimize profits and get better visibility – a cash control system, currency conversion, graphical displays, a statistical package, project planning and exceptional data management capabilities for financial data.

The technical support we offer is unexcelled. The people who will work with you are qualified, professional and knowledgeable in financial operations.

And, our services are designed to be easy to use. They save financial analyst and professional time. You will have access to them via one of the world's largest privately managed communications networks. We also offer a full range of banking and thrift processing services including Electronic Funds Transfer, plus training and consulting services designed to meet your needs.

To learn more about this profit opportunity, write or call: William O. Sparks, Director of Sales Operations, Boeing Computer Services Company, 177 Madison Avenue, Morristown, NJ 07960, (201) 540-7726.

☐ Please send me a copy of "Products for the Financial Industry".

☐ Have your representative call and schedule a brief but productive meeting.

Name

Title

Organization

Address

City

State Zip

Telephone

BCS

BOEING COMPUTER SERVICES

A Division of The Boeing Company

Faces Behind The Figures

Edited by Robert J. Flaherty

Source of the fuss

Maxwell Joseph of Britain's Grand Metropolitan, Ltd., the man whose $415 million takeover bid has been ruining Liggett Group's sleep of late, is that relative rarity in Britain, a self-made man who hit it big. (Grand Met is the 13th-largest British company; its revenues should reach $5.5 billion this fiscal year through September, with profits of some $330 million.) Born in London in 1910, he quit school at 16 to work in a local real estate office in the North London district of Hampstead for $6 a week. But he soon borrowed $400 or $2,000 (versions differ) from his father to set up his own real estate firm.

By then he was already smitten by his passion for hotels, first caught at 14 from reading Arnold Bennett's novel, *Imperial Palace*. After surviving World War II in the Royal Engineers, in 1946 he used a $70,000 bank loan to buy the blitz-damaged Mandeville Hotel in London's Marylebone district. His first big buy, for $2.8 million, was London's Mount Royal Hotel in 1957, followed up since with a string of high-class hotel acquisitions all over Europe, such as the Lotti in Paris, the Carlton in Cannes and the Hotel d'Angleterre in Copenhagen. His undisclosed bid, reportedly $60 million, for the majority stake in three more Paris hotels, plus the famed Café de la Paix, is currently under negotiation with the French Finance Ministry.

Grand Metropolitan's Maxwell Joseph
Via Liggett, checking into the U.S.?

Hotels—including entertainment, catering and managed public houses (saloons)—are still the biggest part of Grand Met (25% of sales and 28% of earnings), followed closely by brewing and distribution (21% and 28%), mainly the result of its ferociously fought acquisition of the Watney Mann brewing group in 1972 for $1 billion, and milk and food (22% and 16%). But what moved Liggett Group into Joseph's sights was Grand Met's promising and profitable (21% of sales, 20% of earnings) wines and spirits business, notably its J&B scotch. J&B, the bestselling U.S. scotch, is distributed in this country by Liggett subsidiary Paddington Corp. Another Liggett subsidiary is Austin Nichols, maker and distributor of highly successful Wild Turkey bourbon. These seem to be the Liggett properties that Joseph is after; in fact, if Grand Met took over Liggett lock, stock and whiskey barrel, it's a plausible bet that, besides these and perhaps some soft-drink operations, nearly all the rest of the company would be divested.

Grand Met certainly doesn't lack for the money to back up its bid: Besides a $170 stock sale to its own holders last year, the proceeds of which are still largely unused, it has two $175 million loans from Barclays Bank International and International Westminster Bank. It also has, in this particular case, a weapon that could be more powerful than money. Paddington's contract to distribute J&B expires in 1990, so any would-be white knight would think twice before galloping to the rescue.

Joseph, a small, shy and retiring man, with no gift for public speaking, has a hobby of stamp collecting, specializing in Cape of Good Hope issues. This is his first major effort at collecting U.S. companies, but it may well not be his last. Grand Met also has a fast-growing gambling operation, including more than 75% ownership of London's Ritz Hotel casino. Though Joseph recently pulled out of talks on getting a piece of Atlantic City action, it would take a rash man to bet that, once solidly established in the liquor business here, Joseph will not be inclined to test the gambling waters.

Bullish on MLWW

Soon after Merrill Lynch acquired White Weld in April 1978, there was dark speculation in a magazine article that the departure of a few key White Weld people could greatly diminish the value of the acquisition. A week later Louis Perlmutter, head of White Weld's mergers and acquisitions group, left for the more congenial boutique atmosphere of Lazard Frères, joining the exodus of hundreds of other White Weld personnel.

So how is the Merrill Lynch White Weld Capital Markets Group doing after

Ferenbach of Merrill Lynch
First in deals, but not yet in dollar

the departure of Perlmutter and oth
Nicely, thank you, says Perlmutter's
tégé and successor, 38-year-old Carl
enbach. Today MLWW is taking par
more mergers and acquisitions than
other firm. At the moment, among o
things, MLWW is advising the Lig
Group as it grapples with a takeover
by the U.K.'s Grand Metropolitan Lt

When Perlmutter left, ex-marine
Harvard M.B.A. Ferenbach was given
job of organizing MLWW. Why didn'
go with his mentor? "I had the oppo
nity to run my own show here," he s
Not that it was much of a show. Me
Lynch had practically no mergers
acquisitions business, though it had
ated a group shortly before the acqu
tion. Blending the two groups was d
cult: "There was little coordination,
a lot of bodies," Ferenbach recalls.

Ferenbach decided the key to suc
was convincing Merrill Lynch's imp
sive roster of corporate clients to us
new mergers and acquisitions servi
"There was a certain amount of ini
resistance," he admits. But as his te
got a few small deals and did well v
them, the business began to grow.

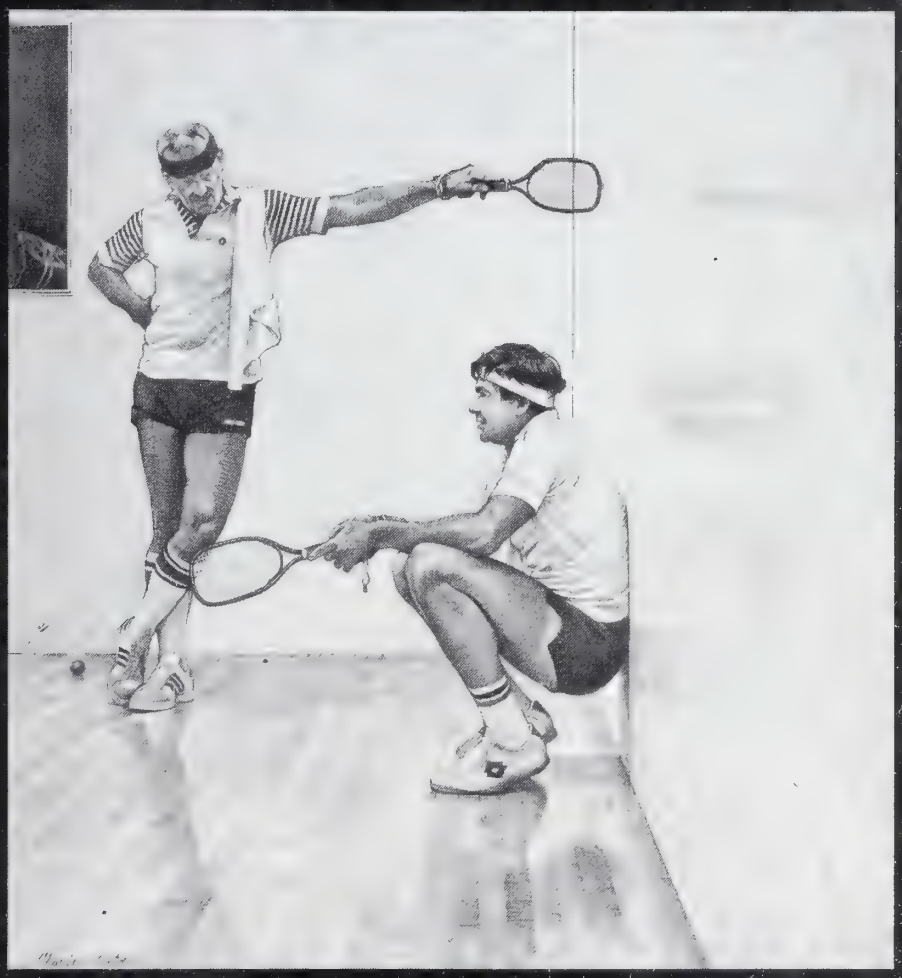
In 1978 MLWW completed 48 de
That was more than any other firm,
only three exceeded $250 million,
largest being Beatrice Foods' $490 r
lion acquisition of Tropicana Produ
In dollar terms—where it coun
MLWW's $3.9 billion in mergers and
quisitions was less than half that of le
er Morgan Stanley.

In 1979 MLWW dropped to 31 de
but 8 were over $250 million and 3 c
$500 million for a $5.3 billion total.
largest: McGraw-Edison's $750 mill
acquisition of Studebaker-Worthingt

Despite the chaotic environm
1980 is off to a good start, with ei
deals totaling more than $1 billion

"Solid in chemicals. Impressive technology. Looks like Diamond Shamrock's a growth bet for the Eighties."

"And beyond. That acquisition of Falcon Coal makes their energy story even stronger."



Diamond Shamrock

Resourceful in energy, technology, chemicals.

Diamond Shamrock Corporation, Dallas, Texas 75201

Faces
Behind The Figures

several more in the works. Two that are in the news, apart from the Liggett Group defense: MLWW advised Allergan Pharmaceuticals, which was recently acquired by SmithKline for $260 million in stock after two upward renegotiations; and it is advising Sundance Oil, which is looking for a buyer and will probably sell out for several hundred million dollars. Says Ferenbach: "I would expect that within five years we'll be the biggest in the business." *Subrata N. Chakravarty*

Henderson of Henderson Advertising
Why not create your own customer?

Madison Avenue, S.C.

Until last year, Greenville, S.C.-based Henderson Advertising was considered just another regional agency located near one major account, Texize, the household products maker. Of limited interest, too, it seemed, was the political career of the agency's multimillionaire founder, James M. Henderson; it looked as though it had ended even before it started. After serving as Assistant Postmaster General under Richard Nixon, Henderson made a losing bid as a Republican candidate for South Carolina's Lieutenant Governor's seat. Later, he turned down the job of Secretary of the Army.

Now, suddenly, Henderson Agency has picked up an extra $20 million in new billing in the last 12 months alone, to become the first non-Manhattan, non-Chicago agency to win *Advertising Age*'s "Agency of the Year" award. If the Republicans capture the White House, Henderson himself is a strong possibility for a cabinet post, perhaps Secretary of Health, Education & Welfare. He says he's concerned about the plight of America's aged. At 59, he says he is in the process of becoming one of them.

By flourishing since 1946 in a spot where northern know-it-alls claim you can't do creative advertising, Henderson has taught the trendy crowd a lesson. After working in advertising with General Foods in New York and then going with an agency in Denver, Henderson faced a dilemma. He wanted to live in his dear old Southland, but there was no agency of the kind he wanted to work for. So with just $500, he started his own. He wanted to do branded packaged-goods work because he figured that's where the big money was. Since there wasn't a good packaged-goods account nearby, he created one.

Henderson persuaded a textile industry supplier to create a consumer product out of its industrial floor cleaner, used in cotton mills. He was so poor that the head of the outfit—Texize—had to drive by and pick him up in the morning. Henderson didn't even own a car. Today he drives a $100,000 Rolls-Royce. Meanwhile Texize, now the $165 million consumer products division of Morton-Norwich, ranks first or second in a string of household products—Fantastik, Glass Plus, K2R Spot Remover, Pine Power, Spray 'N Wash.

His big breakthrough came last year when he won such national accounts as Esmark's $12 million STP, the $4 million account of the Homelite division of Textron and $3 million of Foremost-McKesson's wine and spirits group.

To get creative types in Manhattan and Chicago to move down to Greenville, he built an ultramodern, solar-heated $3 million office building, which he and a partner own and rent to the agency. He also does something else rare in the South. He pays New York salaries in Greenville, where a bigger house goes for half the price of one in Greenwich, Conn., and where commuting time is only ten minutes daily.

Within three years, Henderson predicts, his billings, currently at $55 million, will exceed $100 million. Three years after that, he plans to retire and let his 135 employees buy him out, probably at about a million or so annually for five years. Meanwhile, restless, trim jogger that he is, he already thinks he knows what he'll do next. "If I feel good, I'll probably start a new company."

Brock's billions

When it comes to lending out money, there aren't many anywhere with as much cash as Allan Brock. Last year he lent $7.7 billion. This year he's got an extra $2 billion to lend. And if that isn't enough, there's likely to be more where that came from. This isn't 20% money, either; it's going for 14% today.

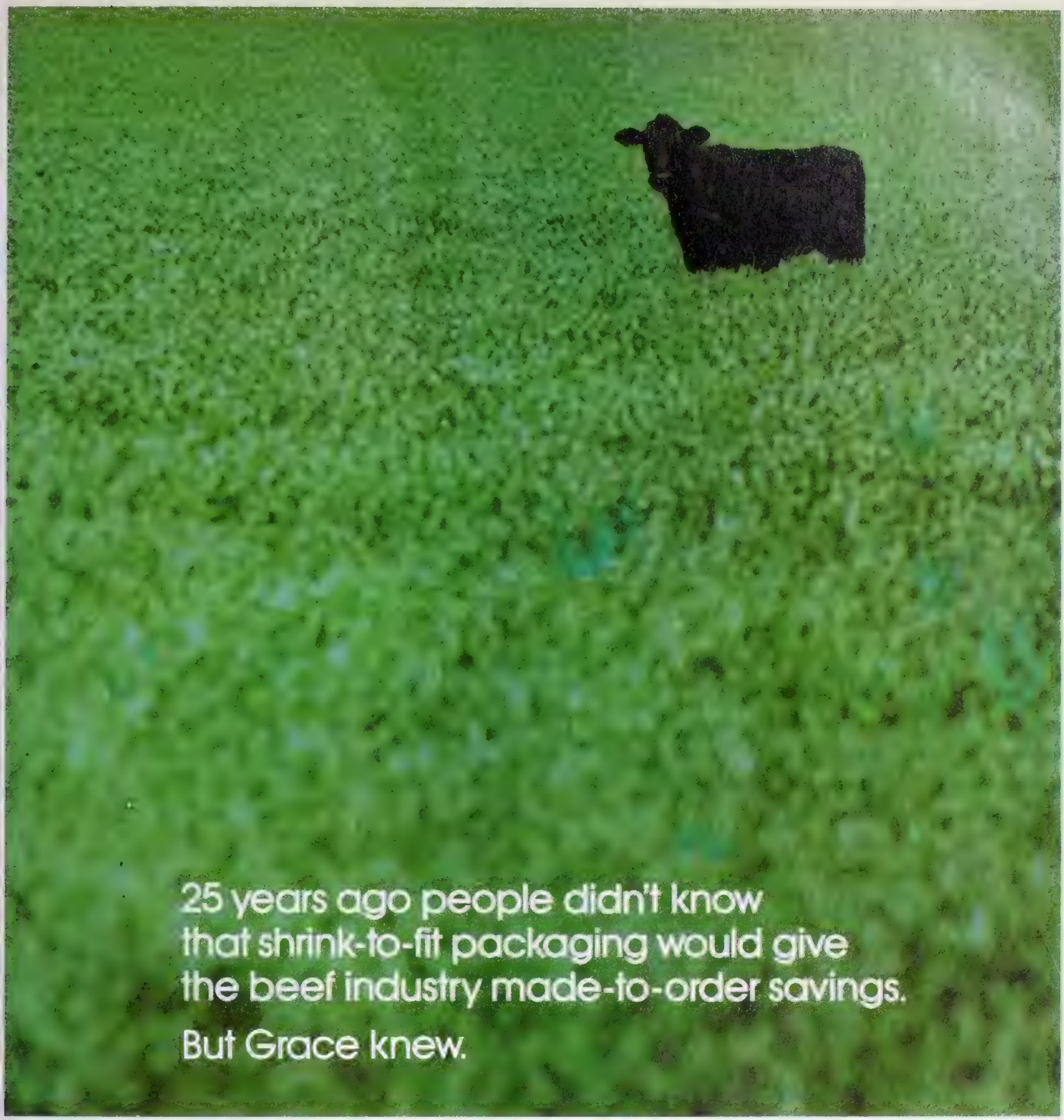
But don't call unless you're a far because Allan Brock is deputy admi trator for the farm and family progra the Farmers Home Administra (known as FmHA, to avoid confu with the other FHA), which is part o Department of Agriculture. His mis is to make sure farmers can get m for planting and fixing and expan when the banks say no. Right now lo banks are saying no, and the farmer lining up for cash—at about 1,900 Fm offices around the country.

"This is serious," he says. "It was enough before, with production expe going up faster than income. I've n seen anything change so dramatical

Just a few months ago the farm se was boom country. The sudden d turn has come, of course, with the lapse of the Soviet grain deal and drop in grain prices as fuel and c costs, then interest rates, began soar

"I can't remember seeing this n worried bankers coming here [to W

Farmer's friend Allan Brock
No city folk need apply.



Back when beef was shipped whole and unprotected, profits dried up as soon as the meat did.

Grace's Cryovac division solved this problem with a unique shrink-to-fit package now known as the Barrier Bag®.

With it, meats could be processed in centralized plants and shipped in smaller cuts according to grocers' needs.

The idea was so cost efficient, it revolutionized grocery merchandising. And today, Cryovac shrink films help package hundreds of grocery and non-grocery items.

Cryovac is only one of the growing companies that make up Grace's specialty chemical business. And chemicals, in turn, are only one part of W.R. Grace & Co.

Grace, in fact, is a $5.3 billion company with broadly balanced interests in chemicals, natural resources, and consumer businesses.

Since 1969, the company's net income has grown by an average of 14% annually, and shareholders have been receiving cash dividends for 46 consecutive years.

Our annual report can tell you more. Send for it by writing to W.R. Grace & Co., Grace Plaza, 1114 Avenue of the Americas, New York, N.Y. 10036, Dept. FB.

One step ahead of a changing world.

GRACE

chemicals • natural resources • consumer products

Faces
Behind The Figures

ington]," Brock says, "and I've never quite seen the White House attention this is getting." His Dec. 31 delinquency rate on loans for operations was 37%; on loans for land, 15%. The numbers aren't as bad as they seem—delinquent loans usually get paid off when the harvest comes in—but the rate has been running 1% to 2% above the year before.

Farm operating costs—seed, fertilizer, fuel and the like—run about $100 an acre for corn, he explains. If interest rates go up just 4%, and they have done at least that this year, it means a $4-an-acre cost increase which adds up to $2,800 on 700 acres. "Maybe that doesn't sound like much to you, but it is off the top," says Brock, who has been with the FmHA since 1954 and worked his way up from assistant county supervisor.

His agency has been expanding at a rapid pace recently: Today he says he is supplying 9%, maybe a bit more, of total farm credit against 2% to 3% not many years ago; the $7.7 billion he lent last year compares to a normal $1.75 billion not long ago. The extra $2 billion voted by Congress to cover the credit crunch is supposed to last this year and next—and Brock isn't sure it will.

"There is a tendency to overreact" when talking about farm troubles, Brock admits. "I try not to do it." Things can get better quickly, he notes. "Just let Russia have another bad year, or Brazilian soybeans go to hell," he says. But if that doesn't happen, Allan Brock's got money to lend.—*Jerry Flint*

Shopping for the Arabs

In 1969, a year out of the University of Texas law school, Frank Van Court joined the powerhouse Houston law firm of Vinson & Elkins, where former Texas Governor John Connally took him under his wing a few years later. Connally came to represent Ghaith Pharaon, a Saudi Arabian investor who in 1978 hired Van Court away to manage his U.S. interests, now including the $350 million (1979 deposits) National Bank of Georgia, 98% owned by Pharaon, best known in the U.S. for having bought, then unloaded, control of Detroit's rickety Bank of the Commonwealth.

Van Court, now 37, sits on the boards of the Georgia bank; Dallas' Sam P. Wallace Co., a mechanical contractor (65% owned by Pharaon); and Houston's CRS Group, Inc., architects and construction managers (20%). He is also chairman of

Frank Van Court of Interedec U.S.A.
From Texas ranch to Saudi riches.

Interedec U.S.A., the U.S. arm of Pharaon's Saudi-based holding company.

That's a long way to come for a fellow from a small ranch in arid western Texas. But now Van Court is looking for even bigger fish. "With the liquidity crunch and the high cost of money, companies that have access to capital will be able to acquire properties at very reasonable prices," he says, puffing happily on his daily cigar. "Equity money is going to be at a premium, and equity money is what we bring to the table." What's more, the relative strength of the dollar is driving away European and Canadian buyers—who last year had cheap dollars to spend—thus weeding out some of the competition for bargains.

So Interedec, fueled by Saudi funds—where do they come from? who knows?—is preparing for a $200 million-to-$300 million purchase, far larger than the $22 million Pharaon spent for the less-than-spectacular National Bank of Georgia, his largest U.S. acquisition to date. Van Court is looking for a Sunbelt firm, perhaps in steel or cement, to acquire in the next 6 to 12 months. With Pharaon's concurrence, Van Court aims to make Interedec less financially dependent on its Saudi connections. "We want Interedec to be a substantial company," he says, "a vehicle in its own right" for further expansion or acquisitions.

Don't think he's cutting those Saudi ties, though. "It's exciting to be involved with someone from the Middle East when it has become so important to us," he says. Not to mention how important it is to him.—*Toni Mack*

"A testy time"

Three weeks after taking over as president of Interbank Card Association, Russell E. Hogg found his freewheeling Master Charge handcuffed with consumer credit controls. Interbank licenses the number two worldwide bank credit card, soon to be known as MasterCard. Among its members are over 12,000 U.S. banks that had helped 59 million customers to go on a $12 billion MasterCard binge.

As the Federal Reserve forced interest rates up to record levels, the 18%-or-so loans banks made to consumers on the cards became decreasingly profita Trouble was state usury laws and c tracts that protect consumers mad difficult to raise rates quickly.

Then the Fed acted, requiring a 1 reserve on most types of consumer cre and forcing credit issuers to execute unpopular controls. Hogg, formerly w American Express and an ex-FBI agen boot, instantly pulled ads designed plug MasterCard's new name and placed them with one that asked Mas Card holders to use their cards only necessities and emergencies. This is l a gourmet restaurateur asking custom to go on a diet.

"We're in a diagnostic stage," s Hogg. "We must determine how to m the controls and at the same time sensitive to consumer needs." Thus member banks are deciding individua what to do—whether to raise fees merchants who may throw out the ca or to raise interest rates, or to reduce size of credit lines on customers w then might try to swear off charging— perhaps just to impose a transact charge, hoping the cardholder won't tice too much.

Meanwhile, Hogg also is looking l run, when consumers will be able to dulge their appetites again. He predi his association will stress new produ such as traveler's checks, and consi revamping MasterCard as a travel a entertainment card to compete w American Express. He may also push debit card, which would reduce a savi or checking balance at the instan charge is made. "This is a testy tim says Hogg. "Still we're convinced pla has a future in the Eighties." In sh Hogg is hoping any credit-card cutb by his 59 million holders will be a f not a lasting fashion.—*Jean Briggs*

Hogg of Interbank Card Association
Like a chef recommending a diet.

1,000 Learjets

A few days ago our 1,000th Learjet business jet was delivered to The Eaton Corporation.

Eaton, the 101st largest industrial firm in the U.S., is no stranger to Learjets. They now own six. They'll be getting number seven soon.

What's significant about 1,000 Learjets?

Leadership...

...in customer acceptance: *hundreds more Learjets* are in daily service worldwide than any other type.

...in owner utility: Learjets have flown more than 1.1 *billion* miles. *Millions more* than any other bizjet.

...in experience: the next 1,000 Learjets benefit from a heritage other manufacturers are far from achieving.

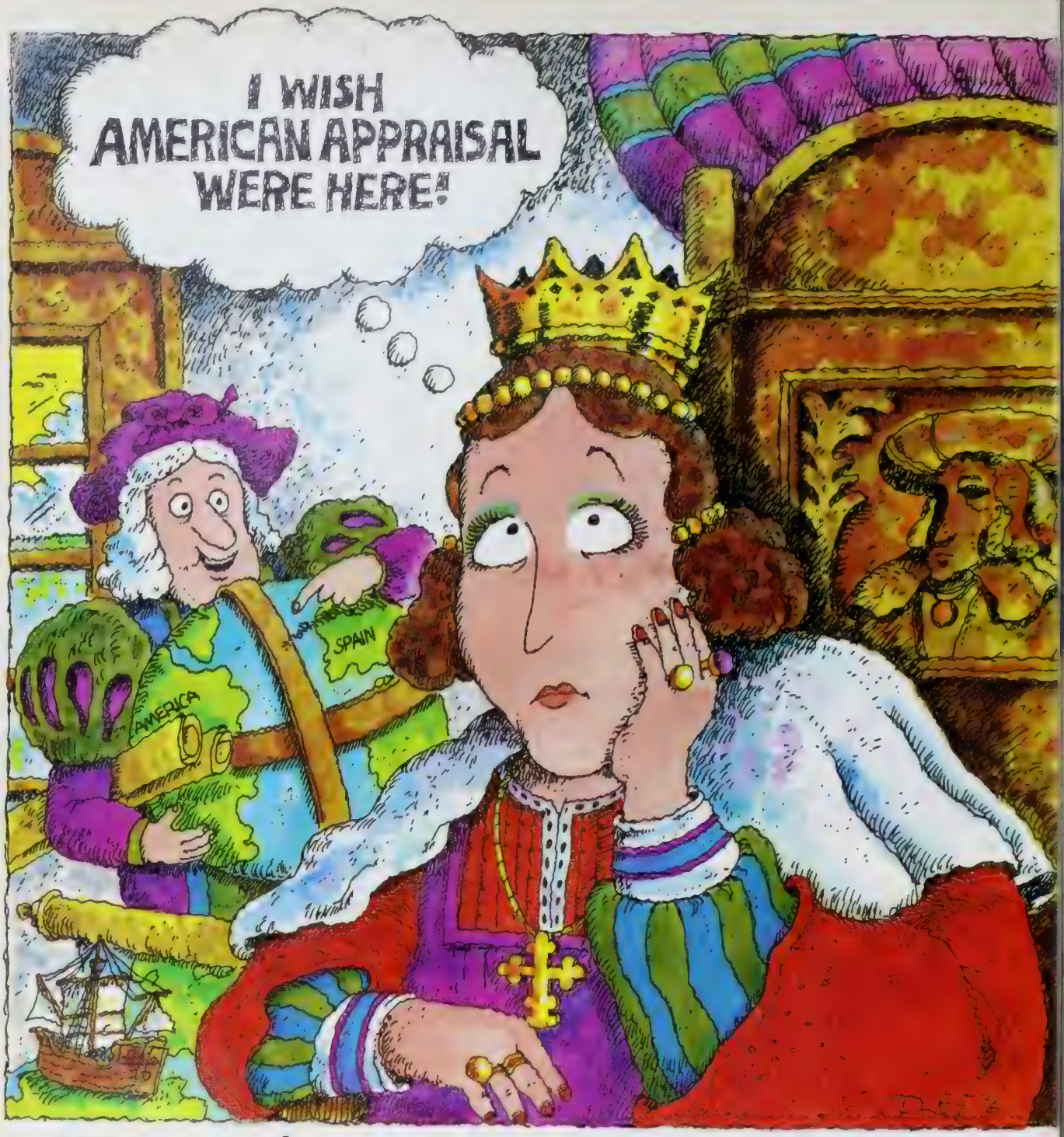
More of the top 1,000 companies in the U.S. fly Learjets than any other make of business jet. And so do more growing firms moving toward the top.

If using your time more productively — at fuel and dollar costs per mile which are lower than *any* other business jet — is a must for you in the decade ahead, Learjet is your answer.

Call or write Phil Lovett, our vice president in charge of U.S. sales, or Finn Hedlund, our vice president in charge of international sales, if you'd like additional information. They're both at (602) 294-4422. Gates Learjet Corp., P.O. Box 11186, Tucson, Arizona 85734.

Gates Learjet

The world's most fuel-efficient business jet
Now building our second 1,000



Knowing what it's worth can be worth a lot.

We didn't help Isabella launch a new venture. But we do help Holiday Inns® explore the world for new hotel sites. The world's largest appraisal firm can help you, too, with feasibility studies and much more.

AMERICAN APPRAISAL®

WE KNOW VALUES.

Atlanta · Baltimore · Bangkok · Boise · Boston · Buffalo · Charlotte · Chicago · Cincinnati · Cleveland · Dallas · Denver · Detroit · Hong Kong · Honolulu · Houston · Jakarta · Kansas City · London · Los Angeles · Madrid · Manila · Mexico, D.F. · Miami · Milan · Milwaukee · Minneapolis · Montreal · New Orleans · New York · Pasadena · Philadelphia · Pittsburgh · Portland · Princeton · Rolling Meadows · Rome · St. Louis · Salt Lake City · San Francisco · Seattle · Singapore · Spokane · Stamford · Tampa · Toronto · Vancouver · Washington, D.C.

TWA flies the L-1011
he world's most advanced widebody.
Here's why.

From the moment you step aboard TWA's L-1011, you'll have the feeling you're in a very special plane.

You'll be particularly impressed by the spaciousness of the passenger cabin—19′ wide and 8′ high—with two aisles, indirect lighting, and comfortable seats. But the real beauty of the L-1011 lies in the things you don't see.

Offspring of the SST

When America embarked on the SuperSonic Transport program, considerable resources were put behind the development of new technology. Much of this has been incorporated into the L-1011, making it the most advanced widebody in the world.

The L-1011's advanced flight control system derives from the SST program.

"TWA's L-1011 fleet is another reason why you're going to like us."
—J. E. Frankum, TWA Chief Pilot

The smoothest plane in the air

The L-1011 is the only widebody with a flying horizontal stabilizer, for smoother takeoffs.

In the air, the L-1011's computerized autopilot—the most advanced of any aircraft—works to provide the smoothest flight.

And because the L-1011 is the only widebody with direct lift control (automatic adjustment of lift and pitch), it's smoother on landing, too.

An all-weather aircraft

Most widebodies have a 2-part autoland system. Only the L-1011 has a 4-part autoland system, making it more sophisticated than other aircraft.

In addition, the L-1011 has instrumentation so advanced it was granted a special Category IIIA clearance—the ability to land in all weather.

Passenger comfort

Inside TWA's L-1011, everything has been designed to make a long flight seem shorter.

The L-1011 is equipped with three Rolls-Royce high-bypass engines—the quietest of their kind.

At your fingertips are controls for reading lights, air outlets, and entertainment. Drinks, stereo music, and full-length movies help the time fly by.

So if you're planning a trip coast to coast, plan to fly on TWA's L-1011, today's most advanced widebody.

You're going to like us

TWA

THEORY:

A top international bank should be locat
where its customers
do business.

REALITY:

At Continental Bank, we think geographical proximity is not just desirable, it's essential.

oximity increases communication. Reduces response time. And leads to a strong working relationship. our financial teams are never more than minutes away from the headquarters and subsidiary offices he customers they serve. It's what you expect from a top international bank. At Continental Bank, reality.

CONTINENTAL BANK
Continental Illinois National Bank and Trust Company of Chicago

entina · Australia · Austria · Bahamas · Bahrain · Belgium · Brazil · Canada · Colombia · France · Greece · Hong Kong · Indonesia · Italy · Japan · Kenya · Korea
anon · Malaysia · Mexico · The Netherlands · The Philippines · Singapore · Spain · Switzerland · Taiwan · Thailand · United Kingdom · Venezuela · West Germany
United States · Chicago · New York · Los Angeles · Houston · Dallas · Miami · Cleveland · San Francisco · Denver

How do you get the whole picture when you're researching conglomerates?

Merrill Lynch says, piece by piece.

Understanding conglomerates would be a snap if the whole equaled the sum of its parts. Then balance sheet research might tell you all you'd need to know about them.

But conglomerates are far more complex than that. So Merrill Lynch developed a better way to look at them: in depth, piece by piece, division by separate division.

Carol Neves, our chief conglomerate-watcher, works with Merrill Lynch specialists in everything from avionics to insurance. These specialists sometimes travel with her to study the conglomerates' divisions and research each one.

Result: we get the whole picture, as well as the view from the chief executive's desk.

Now, the unique thing about this system isn't just the idea of

A breed apart.

doing it; it's that Merrill Lynch has the depth of talent necessary to make it work. We have 130 research specialists, nearly three times as many as anyone else. And in quality, too, Merrill Lynch's researchers are a breed apart. In 1979, they earned 40 places on the prestigious Institutional Investor All-America research team, 17 more than the second-best firm.

The depth of research means not only a remarkably perceptive view of conglomerates; it also means broad coverage of all kinds of companies. We follow over 1200 of them, considerably more than any other firm.

We'd like you to look over our reports, and evaluate our opinions, on whatever type of industry interests you. Stocks, by and large, are the most undervalued "collectibles" around, and you may find an opportunity or two *your* analyst has overlooked.

Call your local Merrill Lynch office and speak to one of our Account Executives. He'll be happy to give you an up-to-date research report on investments that fit your objectives.

There's no obligation. And...who knows what you might learn.

Merrill Lynch

© 1980 Merrill Lynch Pierce Fenner & Sm[illegible] Member SIPC

ou are in the market for gloomy economic d political forecasts, Claremont Economics itute will surely be able to help you out.

Name your scenario

By Nick Galluccio

AGINE A SOVIET-INSPIRED insurrec-on against the Saudi Arabian mon-chy of King Khalid by Palestinian sts and Shiite Moslems. The revo-aries wrest control of Saudi Ara-ast oilfields and turn off the spigot, g oil prices to soar to levels un-ed of by even the most pessimistic ay's gloom-and-doom sayers.

hinkable? Maybe to you, but not to p of Mideast watchers at Califor-Claremont Economics Institute, is advising its clients to prepare e eventuality of such a scenario.

CEI's clients are an impressive lot, including the likes of BankAmerica, Morgan Stanley and Booz, Allen, as well as about 100 other outfits, mainly financial institutions, which plunk down anywhere from $7,000 to $25,000 a year for scenarios such as this. And while subscribers obviously rely on other sources as well for their investment decisions, they take CEI's advice quite seriously.

What makes CEI stand apart from most other economic forecasting and consulting outfits is its emphasis on how international political events shape the behavior of consumers and investors who, in turn, influence gross national product, inflation, interest and exchange rates, stock and bond prices. Rarely are consumers' expectations and psychology given much weight in the well-known Wharton, Data Resources and Chase econometric models.

CEI's predictions derive from an econometric model called Globesim, programmed with reams of data on ten countries plus OPEC, which analyzes the interrelationships of their economies. Globesim was developed by CEI in conjunction with former U.S. Treasury Secretary William E. Simon at Booz, Allen & Hamilton, Inc. Some 35 multinational corporations, including IBM, ITT and Du Pont, participated in the project. Globesim attributes the erratic behavior of world financial markets in recent years to government policies (fiscal, monetary *and* political) and how they have been perceived, interpreted and acted upon by consumers and investors alike. Against this backdrop, CEI simulates various scenarios, in an effort to enable its clients to hedge themselves in the financial markets.

CEI's six economists—headed up by the organization's chairman, A. James Meigs, former St. Louis Federal Reserve Bank and Wall Street economist, and its president, John Rutledge, formerly a senior economist of the U.S. Treasury—have earned a reputation for their accurate forecasts of interest rates and inflation over the last four years, a period during which most of the country's ma-

utledge (foreground) *and James Meigs of Claremont Economics Institute*
u want an investor to hold long-term assets, convince him of stability and tough leadership at the top."

THIS COUPON COULD MOVE YOU INTO THE COMPANY OF PRESIDENTS.

The opportunity to exchange views with business and political leaders from throughout the world is unequalled in the Washington, D.C. area. This is one reason why over 1,200 companies like Honeywell, Boeing Computer Services, Mobil Oil and others have located in Fairfax County, Virginia, only 20 minutes from Capitol Hill. You'll find a Fairfax County location could make good business sense for your company, as well.

You'll also find there are significant labor and operating cost advantages to a Fairfax County location, but that's another story. We'll be happy to send it to you right away. F-95

Name/Title _____

Company _____

Address _____

City _____

State/Zip _____

FAIRFAX COUNTY, VIRGINIA.

THIS MAY BE THE BEST PLACE IN AMERICA FOR BUSINESS TO WORK.

Inquire in confidence to: Mr. David Edwards, Executive Director, Fairfax County Economic Development Authority, 8330 Old Courthouse Road, Suite 800, Tysons Corner, Vienna, Virginia 22180 Phone (703) 790-0600

A NEW AND BETTER WAY

There is a better way of managing your organization's facility planning, design, procurement and construction. In the process there can be very significant improvements in time and cost control, including energy and other life cycle costs. To optimize the use of our services contact us before architects, engineers or contractors are appointed.

ATLANTA: (404) 881-1666. Telex 54-2165, 880 W. Peachtree St., N.W., Atlanta, Georgia 30309 **BALTIMORE:** (301) 944-3700 **LOS ANGELES:** (213) 479-4256 **MIAMI:** (Polizzi/Heery) (305) 667-1094 **LONDON, U.K.:** (Heery-Farrow Ltd.) (01) 200-1234, Telex 851-922991 **AMMAN, JORDAN:** 42451, Telex 21567.

HEERY ASSOCIATES, INC.
Construction Program Management

jor econometric models have di
missed the mark. In 1976, for ex
when the Wharton, Data Resourc
Chase models were predicting a
of inflation down to the 5% lev
projecting interest rates at 6%, C
its clients they could expect both
tion and interest rates to rise well
12%. As it turned out, of cours
understated its case.

CEI began six years ago as an a
to Claremont Men's College, 35
east of Los Angeles, where both
and Rutledge are economics prof
But it has been only in the past co
years, as the U.S. economy has
dived, that demand for CEI's servi
boomed.

What should the CEO of a m
tional corporation, a bank treas
institutional portfolio manager
hedge against a potential overth
the Saudi Arabian royal family—
in a recent scenario, they predi

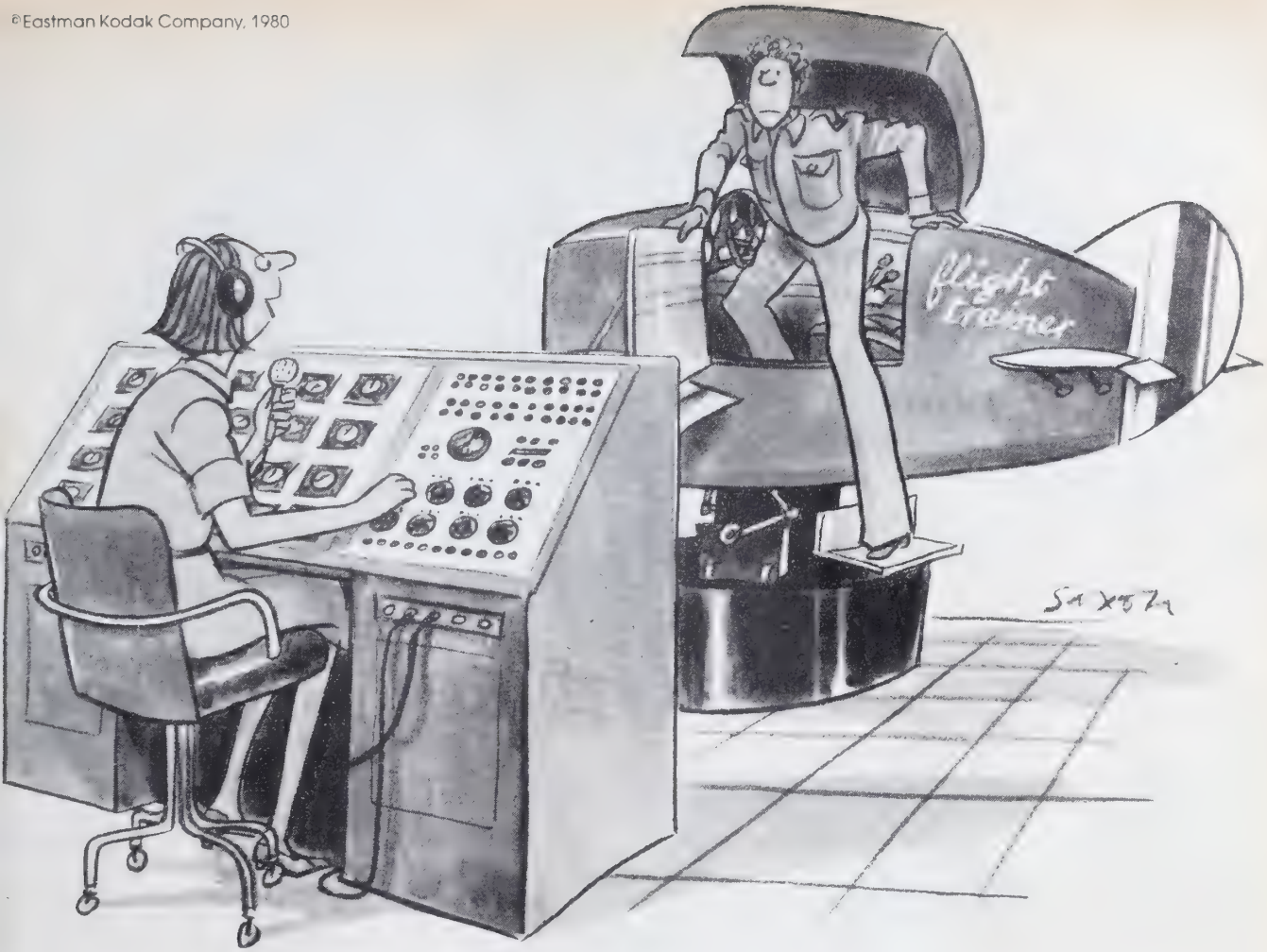
CEI's six economists earned a reputation for accurate forecasts of int rates and inflation ove last four years, a period most of the country's r econometric models hav mally missed the mark.

early as 1981? Put a big portion
assets in British pounds and your
ties in Japanese yen, says CEI.
Because if oil prices go through t
the currency of Japan, a country
heavily dependent on energy i
should depreciate sharply. Hen
would be able to repay debts in
currency. At the same time, Brit
ing largely energy self-sufficient,
see its currency appreciate drama
benefiting holders of assets that
nominated in pounds. Other ene
countries whose currencies could
preciate substantially in the e
rocketing oil prices are Austral
Netherlands and Canada.

On what do these economis
their Saudi Arabian disaster sc
They point to the Soviet invasio
ghanistan, along with the buil
troops by Russia, Cuba and Ea
many in both Ethiopia and So
men. What's more, CEI believes
viet Union orchestrated the ric
occurred recently in Saudi Arab
fields and the seizure of the
Mosque in Mecca last year by M
and national guard defectors.

The invasion of Afghanistan h
the Soviets a strategic base from
they would be able to underm
government of Saudi Arabia—a
with a population of around 5
The ultimate goal of the Soviets,

©Eastman Kodak Company, 1980



"Good work! Two more hours, and you'll be ready to solo on the new copier!"

Kodak copiers can do anything most copi-
rs can do, and several things that hadn't been done
efore we came along. And the controls that make it
ll happen are somehow simpler than anyone's.
Complete strangers have been known to walk up and
nake superb copies in collated and stapled sets.

But we don't let it go at that. We send you
eople who are dedicated to helping you get every-
ning your Kodak copier has to offer. They train, assist,
uggest, carry all the news and generally try to keep
ou happy. May we demonstrate?

Vrite: Eastman Kodak Company,
CD0357, Rochester, N.Y. 14650.

Easy-to-use Kodak copiers keep your jobstream flowing smoothly.

Kodak Ektaprint 150AF copier-duplicator

1880 Kodak *1980*

A 100-year start on tomorrow

Scene for a scenario

To the Mideast watchers at the Claremont Economics Institute, the Strait of Hormuz, gateway to the Persian Gulf and one-third of the world's oil, may be the most critical pressure point available to the Soviet Union. That, CEI says, helps explain the Russians' adventure in Afghanistan.

ing to CEI, is to gain control of the Strait of Hormuz in the Persian Gulf *(see map)*, which would enable them to restrict the outflow of about a third of the world's oil supplies. CEI bases its outlook on interviews it has conducted with numerous Saudi Arabian government and business leaders. It also has gathered reports that members of the Saud royal family are funneling huge sums of money out of Saudi Arabia.

Even if the Russians fail to orchestrate the overthrow of the present Saudi government, CEI is predicting the end of that country's dominance of OPEC, and oil price hikes of as much as 80% in the next two years alone. Because Saudi Arabia no longer has the spare capacity to flood world markets with cheap oil—a threat it used in the past to temper OPEC price increases—it has lost bargaining leverage over more radical OPEC countries like Libya and Algeria. In reaction to the new oil that is expect-

Warship in the Strait of Hormuz

ed to come on stream within th
few years from countries such as
co, Britain and Malaysia, the
OPEC faction will soon begin
prices more sharply than in the
says CEI. "The shrinkage of Saud
bia's spare oil-producing capacit
create a shift among the OPEC
tries from defensive pricing to
their dollar holdings to aggressiv
ing to gain in real purchasing
before the new oil comes onto th
ket," says G. Kent Sorey, a form
analyst who now serves as CEI'
east specialist.

Other CEI scenarios include a
versus-Reagan presidential race.
to Rutledge: "The problem with C
not that he's a screaming liberal,
failure to manage the governmen
public doesn't expect any con
policy to be followed for any le
time with Carter. That's why you
term debt market is in the doldru

"If you want to measure confid
Carter," Rutledge continues, "jus
at the average maturity of assets
economy—the best single measu
ing the $60 billion money market
whose average maturity is less t
days. If you want an investor t
long-term assets, you have to co
him of stability and tough leader
the top."

In the event of a Carter reel
Rutledge is forecasting a 12% a
inflation rate, short-term interes
at 14%, long-term rates at aroun
He expects a 10% average annual
in the money supply. What should
tors do once Carter is reelected? F
invested in short-term governm
curities. As for the stock marke
ledge believes it will continue to p
poorly, excepting oil, gas, coal a
fense companies.

A Reagan presidency would be
tirely different scenario indeed, ac
to Rutledge. Because Reagan's top
is combating inflation, Rutledge
Reagan would restrict growth in b
money supply and government sp
Inflation would fall to about 4%
years and long-term interest rates
decline to 6% from their presen
Reagan's tough, hawkish image
instill confidence among world
toward the U.S. and cause the d
appreciate. Rutledge believes
would establish a stronger U.S. n
presence in the Middle East as wel

In short, Rutledge believes th
U.S. economy would be far more
able under Reagan, and that in
would be more inclined to take
term risks. "As soon as you kno
gan will be the next President, yo
to lock into the longest-term bo
can find and sit on them," says R
The stock market, too, would sta
rally, he says. ■

A NEW AMERICAN SUCCESS STORY.

Seville for the 80's. Since its introduction, more Americans have chosen to own the new front-wheel-drive Seville than any luxury import model. Including all 12 models of the best selling luxury import...combined.

Only Seville. Only Seville offers such distinctive styling with so many advanced driving features. Seville has front-wheel drive for traction, plus four-wheel independent suspension, four-wheel disc brakes and an electronic-fuel-injected engine.

Little details make a big difference. As impressive as Seville's engineering advancements are, it's still the thoughtful little details that make driving Seville such a pleasure. Details like side window defoggers...heated outside mirrors...and a new Electronic Climate Control you can adjust to a single degree. All standard.

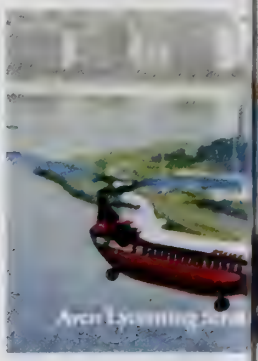
Available with Touring Suspension. For those who prefer ride and handling with a feel of the road, Seville is now available with a special Touring Suspension.

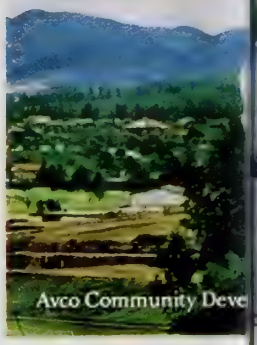
Seven new two-tone combinations. Seville is now available in seven dramatic new two-tone combinations of the French curve design, along with chrome side moldings and new accent stripes that follow the same sweeping curve.

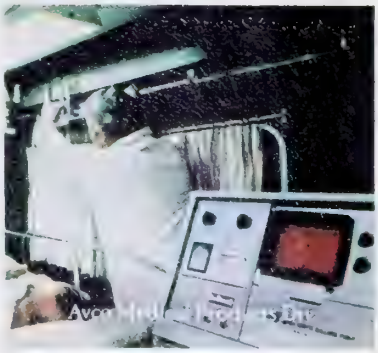
Seville for the 80's. Sevilles are equipped with GM-built engines produced by various divisions. See your Cadillac dealer for details.

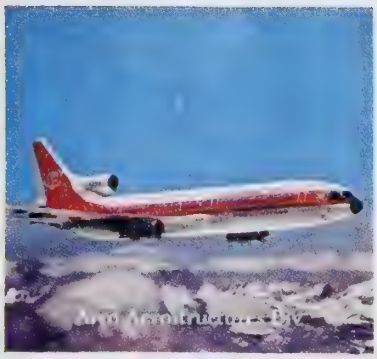
Unique in all the world. What other cars aspire to be, Seville is today. Whether you choose to buy or lease, see and drive Seville for the 80's...at your Cadillac dealer's right now.

Where Avco leads, confidence follo









The first fifty years.

From the beginning, Avco Corporation has been a pioneer. Incorporated in 1929 as The Aviation Corporation, it led the way in commercial aviation and aircraft manufacturing.

Today, Avco upholds its heritage by building wings for commercial jetliners, providing engines for general aviation aircraft, and developing new ideas for the nation's missile program. Its advanced technology is being applied to the development of industrial lasers for metalworking, electronics and sophisticated computer systems, advanced composite materials and medical products for open-heart surgery. Avco's technical expertise has also made it a leader in farm equipment and management and support services worldwide.

While advancing man's technical knowledge, Avco has not neglected his personal needs. Its insurance subsidiaries have developed life, disability and casualty policies that reflect ever-changing lifestyles. Its consumer finance company is the world's third largest, with approximately 1,900 branch offices in five countries. In addition, its award-winning planned residential communities have won international recognition.

At the end of the first fifty years, Avco's operations span four continents. Its major divisions and subsidiaries have been structured to achieve steady growth and profitability. High technology, labor intensive manufacturing businesses are balanced with stable, consumer-oriented financial services.

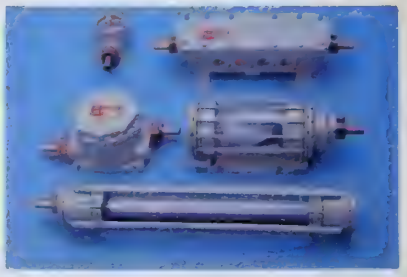
In each one of the special markets it serves, Avco has maintained a reputation for leadership. And where Avco has chosen to lead, confidence in its products and services has followed.

AVCO
CORPORATION
1275 King St., Greenwich, CT 06830

America is turning to coal as an energy alternative. And Crouse-Hinds is there.

You may not think an electrical equipment manufacturer could play an important role in the mining of coal.

But Crouse-Hinds is one of the world's leaders in the development and manufacture of electrical equipment specifically designed for the safe, efficient utilization of electricity in underground mining applications.



Innovative Mine-Gard® modular lighting systems create a safer, more productive working environment hundreds of feet underground.

For example, our sophisticated Mine-Gard® underground lighting systems were the first systems certified by the Mining Safety and Health Administration (MSHA) for installation on a continuous longwall mining machine. By designing Mine-Gard to overcome the physical abuse and the special space and mounting problems posed by the tight confines of underground mining, we're helping to light the way for improved productivity in America's coal mines.

However, Mine-Gard is only one of thousands of Crouse-Hinds products at work in mines around the world. We make a complete line of explosion-proof and corrosion-resistant enclosures as well as plugs, receptacles, switches, switchgear, outdoor lighting and starters for use in a variety of mining applications.

America needs more coal, and Crouse-Hinds is there with some electrifying new ideas to help our mining industry move America closer to energy independence.

For more information and a copy of our current financial reports, write:
Crouse-Hinds Company,
P.O. Box 4999,
Syracuse, N.Y. 13221.

CROUSE-HINDS®

CROUSE-HINDS

Our business is electrifying ideas.

nd prices probably never have been lower n they are today. On the other hand, yields municipals have rarely been higher.

Duncan Gray: the power of positive thinking

The Money Men

of Kidder, Peabody

yields near the inflation rate, tax-exempts are finally a bargain."

IVEN THE SHELLACKING that a lot of bond investors have taken in recent months, why would any- n his right mind want to come back ore? "For the first time," says Dun- ray, the 62-year-old director of Kid- eabody & Co.'s municipal finance tment, "interest rates are within ing distance of inflation, when you the tax exemption into account. Sept. 1, the Bond Buyer's Index of nicipals showed an average yield of ; eight months later, on Apr. 1, it up to 9.44%. That means many already yield better than 10%— ee. Gray continues:

lot of people have money tied up in noney market funds, which yield 14%. But that's income that is taxable at the highest [marginal] tax rate. A tax-exempt bond yielding 10% is actually worth 20% or 22% after taxes. Not only that: If you just reinvest the coupon, you can double your money in six or seven years without paying one cent in taxes. Where can you find a stock with that kind of return and the same degree of certainty?"

All right, we argue. But aren't the cities in trouble? Take a look at New York, Cleveland, Chicago, San Francisco and a host of others too small to make national headlines. Gray looks out the window, high above pedestrian- and traffic-clogged Wall Street. New York is in the midst of its second mass transit strike in 14 years. "I really thought the city had a chance recently," he says, slowly shaking his head. "Look around at what's going on—the city is vibrant. You can't believe that it's in trouble."

Gray pauses in thought. "Don't forget," he resumes, "municipalities are not just cities. The concept also includes states, counties, towns and all the districts that have the power to tax. That taxing power is awesome. General obligation bonds, which are financed out of general tax revenues, have the unlimited taxing power of the municipalities behind them. Even during the Depression fewer than 2% of all outstanding municipal obligations went into default—that is far lower than corporate defaults. Hardly any investors lost their money.

"What the New York and Cleveland and Chicago examples show is that there has not been enough due diligence work done on new issues. We are going to see many more independent audits of municipalities' ability to meet their obligations. And few prudent investors will buy debt that may not be collectible. So the problem solves itself."

Okay, we say. You've proven your point about general obligation bonds. What about revenue bonds? Isn't there some sentiment in Congress for the elimination of their tax-exempt status? "There is a bill out, sponsored by Representative Al Ullman (D–Ore.), but that would affect only single-family mortgage revenue bonds," Gray replies. "We'll talk about that in a moment. What with the likelihood of more Proposition 13-type legislation, we are almost sure to see an increasing tendency toward revenue bond financing. This is especially the case for the programs that are likely to expand in the Eighties: joint-action public power agencies, state housing authority residential mortgage programs and health issues. The revenue bond arrangement takes the obligation off of general tax revenues and turns the financing into a pay-as-you-go proposition."

Of all the programs, which ones look best? "I think that public power bonds are a great investment because they are unregulated monopolies. In theory, they are owned by consumers, so they have no shareholders and don't need to pay dividends. Therefore, they can borrow tax-exempt. Utilities like the Grand River Dam Authority in Oklahoma and the Puerto Rico Electric Power Authority are run by political appointees. They may have political considerations when they want to raise rates, but they are required to do so under their trust agreements; they don't have to go to the public service commission for approval. They just raise the rates and take the flak.

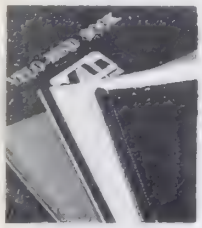
"Now about mortgage revenue bonds. In the housing area, those bonds are creating home construction money that isn't available from any other source at the moment. The Ullman bill reflects the

GIVE YOUR REPORTS OUR PROFESSIONAL LOOK —Velo-Bind® desktop binding system

Now, package your reports, briefs, presentations with quality bindings to match the value of their contents—improve their productivity.

Secure durable bindings. Colorful plastic strips, riveted together under pressure by hot knife process, create strong, compact binding— easy to shelve, file or mail.

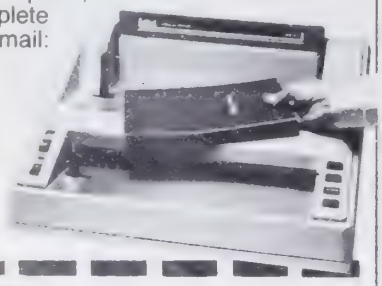
Quick, easy, economical. Bind soft cover documents in 20-60 seconds; hard covers in 30 seconds more. Clean, easy to operate.



Wide choice of covers. Attractive soft covers in paper, composition, clear plastic; or library-quality hard covers. Full range of colors.

New Velo-Bind Model 323—finest desktop system. Automatic Contact Punching and dual speed binding assure fast, smooth operation. Binds pages to 14⅞" wide, 3" thickness. Weighs only 60 pounds.

To improve the productivity of your reports, complete and mail:



Velo-Bind Inc., Dept. F
650 Almanor Ave., Sunnyvale, CA 94086

Name _____
Title _____
Company _____
Address _____
City _____
State _____ Zip _____
Phone _____

Gray's top dozen tax-exempts

Issue	Coupon rate*	Maturity	Yield†	Mo rat
Puerto Rico Telephone Authority	8⅞	2010	10.5%	
Power Authority of the State of NY	9½	2001	9.8	
NY State Mortgage Agency	9¼	2009	10.0	A
Municipal Assistance Corp (NYC)	9.10	2008	10.5	Ba
Salt River Agricultural & Improvement Dist (Ariz)	9¼	2000	9.5	A
Calif Dept of Veteran Affairs, Home Purchase	10	2005	9.8	A
Delaware State Housing Authority	10⅜	2011	9.37	A
Port Authority of NY and NJ	8.20	2011	9.0	
Rhode Island Housing and Mortgage Finance Corp	8¾	2007	10.0	A
Adams County, Colorado Pollution Control (Public Service Co of Colorado)	9½	1982	9.25	MI
NY State Housing Finance Agency, State Univ	8⅞	2010	10.25	A
New Hampshire Housing Finance Agency	8½	2012	10.25	A

*Interest exempt from federal income tax. †Figures as of Apr. 11.

Treasury's concern that the proliferation of tax-exempt home financing is going to reduce its piece of the pie.

"But it just is not true that financing through tax-exempts will cost Uncle Sam money. The reality is that a lot of corporate bonds are held by institutions that don't pay taxes—pension funds, mutual insurers—and by other institutions, like S&Ls, that don't pay the corporate tax rate. So to argue that taking financing away from municipalities and giving it to these institutions will produce more tax revenues is a gross overstatement.

"Because the state agencies and cities can sell tax-exempt mortgage bonds that make lower-rate housing mortgages available to the poor and middle-income people, the customer lenders are complaining. But at some point those high interest rates are going to affect this market also, and soon the question will be moot because not even a cut-rate mortgage will be reasonable."

Gray begins to discuss the great prospects for hospital financing in the decade to come. How can he predict a $100 billion health financing market for the Eighties, we ask, when many hospitals are closing down because of underutilization and backbreaking overhead?

Nothing could be further from the truth, Gray retorts. "You've been paying too much attention to New York's hospital problems." In fact, he says, a well-managed, voluntary, nonprofit hospital whose bonds are rated A or better is "an outstanding security." Of the $100 billion in new financing that Kidder projects for the Eighties, most will go toward plant modernization and capital expenses, "which in some cases may even reduce the total number of beds. I'm very bullish on hospital bonds," he concludes, just to drive the point home.

Gray is quite a salesman for his specialty, but he's an honest man and when we ask him about areas of municipal finance he would avoid, he answers:

"Some people are also starting to get concerned about turnpike revenue bonds—toll roads. For the first time in years, we are beginning to see traffi revenues drop. The price of gas is up and people are doing less traveling the other hand, the traffic engineer saying that tolls are becoming less less of a cost factor. So it may be pos to raise tolls to make up the short After all, most toll roads are monopo

"Then there are sports stadi We've seen too many professional t pick up and go elsewhere, and others can't fill enough seats to make a go Even the most successful stadium- ants Stadium in the New Jersey s complex—is doing well mostly bec of the Meadowlands racetrack. It's a ing. People flock there every day an their shirts. Unless it's got some ki outside security, I would stay away a stadium issue."

What advice does Gray have fo those people out there who lost 25 30% of their money when the bond ket took a Brodie?

"There is really only one way says Gray. "Sell for the capital loss then replace them with bonds of price and equal or better yield. Start again, so to speak—but with one ad tage: Without losing anything, you take advantage of the market to re next year's tax bill."

And what about new investors— who are going into munies for the time? Gray thinks for a moment then replies: "It might make sense long term and take the chance that i est rates won't go much higher. Ho er, for a conservative investor in a tax bracket, it would probably pay to liquid through short-term positions, ing them over as they come due."

Our conversation at an end, we re to street level and try to find a cab fo ride back uptown. Wistfully, we glan the barricaded subway entrance wonder if a transit bond that lets holder take as many free rides a wants might not be such a bad idea well, it's a nice enough day for a walk conclude philosophically, and cheerfully uptown.—*Stanley Ginsberg*

Competition.

It's what we face every day on our trading floor. Now we're getting some from outside. We can't wait.

If imitation is the sincerest form of flattery, we are sincerely flattered.

Financial futures were first traded on the International Monetary Market on May 16, 1972. Before that, there simply wasn't any such thing. Today financial futures contracts are traded on a number of exchanges in proliferating numbers.

We don't regret the competition for a moment. It is, after all, the lifeblood of our industry and we know—from our trading floor experience—that competition makes for greater efficiency. The competition among our own members to secure the best possible prices for their customers is what has made the IMM so successful for eight years. We consider ourselves the most efficient financial futures market in the world and we have no intention of allowing that to change.

We have more active financial futures contracts than any other exchange. We are years ahead of our competition.

Our members have more expertise and are better equipped to service their clients. We have the institutional financial strength and integrity that is second to none and we are the only exchange to have a multi-million dollar trust fund to protect the public.

Competition is nothing new to the IMM—in fact, it's an old friend.

For more information, call toll-free 800-228-2027, in Nebraska 402-571-4900.

INTERNATIONAL MONETARY MARKET

Division of Chicago Mercantile Exchange

Offices in New York and London.

Asbestos-related lawsuits are by no means the only troubles afflicting Johns-Manville. But for all its headaches, J-M has better prospects than many, perhaps out of habit, suppose.

Beyond asbestos

Johns-Manville Chairman John A. McKinney
"The day asbestos isn't a good business for us, we'll get out of it."

By Kathleen K. Wiegner

IT WAS A TRYING YEAR for Johns-Manv Corp. in 1979: Sales soared to $2.3 l lion, but earnings tumbled nearly 6% $115 million for the world's second la est (behind the U.S.S.R.) miner and c verter of asbestos.

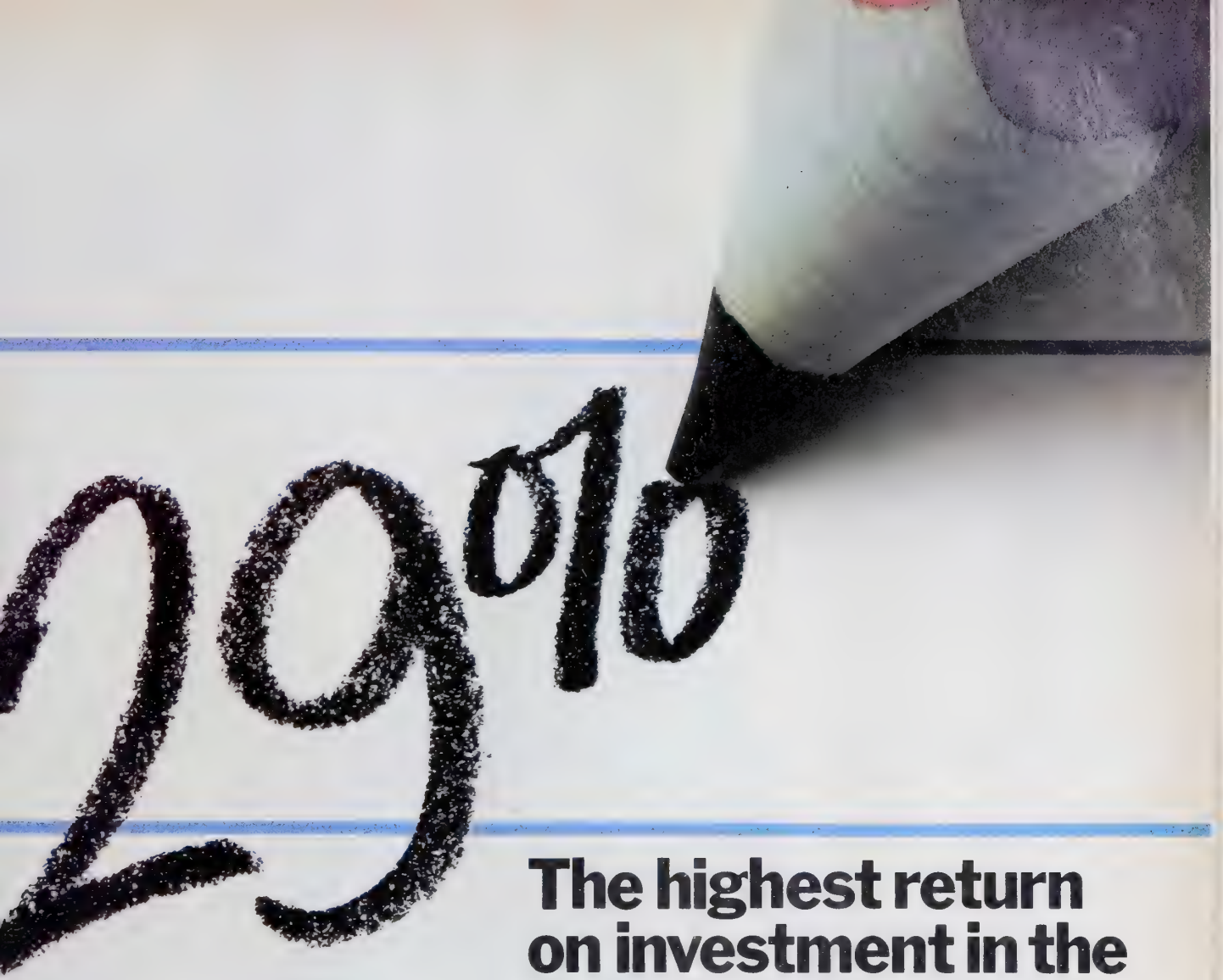
But what spoiled the company's ea ings last year and has been subvert Chairman and CEO John A. McKinne peace of mind wasn't just its asbes problems. Costs outran sales in seve product lines of the now diversified co pany. Startup costs affected profits two new fiberglass insulation plants. T company took a $4.4 million writeoff the sale of its irrigation equipment a sprinkler business. And, maybe most pressing of all, Olinkraft Inc.—the hig regarded $447 million (sales) forest pr ucts outfit it acquired at the end 1978—had a string of problems rang from unexpectedly high startup costs a new paper machine in this country currency devaluation and tax increa in Brazil. These problems caused an erating earnings decline at Olinkraft more than 50% in the fourth quar J-M's net income fell over 20% in same period, reflecting Olinkraft's p formance and the cost of financing t acquisition.

Consider the importance of asbes to J-M even after years of effort to div sify—6% of sales but 19% of operati income in 1979, even though that down sharply from 14% of sales and 37 of operating income in 1976. Clearly i still a valuable contributor to earnin despite all the bad publicity and t string of lawsuits filed by workers insulation, shipbuilding and elsewh who claim to have developed cancer a other diseases from asbestos. So far, t bulk of the claims against J-M have be covered by insurance. But if a jury cides to award punitive damages to plaintiff, the company's liability could enormous.

J-M's stock, lately priced at around is off some $6 since January. But even its 1979 high of 28, the company figu it has been discounted 40% simply cause of investor concern about the fects on future earnings of those asbest problems.

McKinney isn't looking for 1980 to much better either, or even as good. Es mates run to flat, or even down agai depending on how bad the credit crun turns out to be. Even with diversific tion, Johns-Manville still is heavily i volved—through both asbestos a Olinkraft products—in housing and ot er kinds of construction.

A lawyer who came to J-M in 195 McKinney moved up in 1976, after Richard Goodwin, the highflyer w moved J-M to its Colorado headquart in 1972, was asked to resign by t



The highest return on investment in the Common Market.

REPUBLIC OF IRELAND

The most profitable industrial location in Europe.

US Department of Commerce statistics for the period '74-78 show a 29.9% average annual return on investment for US manufacturers located in the Republic of Ireland–more than twice the European average.

IDA Ireland INDUSTRIAL DEVELOPMENT AUTHORITY The Irish government's industrial development agency has offices in New York, Tel (212)972-1000; Chicago, Tel (312)644-7474; Houston, Tel (713) 658-0055; Los Angeles, Tel (213) 624-1024; Cleveland, Tel (216)8610305; Menlo Park CA., Tel (415)8541800; Boston, Tel (617)3678225; Toronto, Tel (416)3647478. Overseas offices also in Amsterdam, London, Paris, Cologne, Stuttgart, Copenhagen, Milan, Madrid, Tokyo and Sydney.

This announcement is published by IDA Ireland, 200 Park Avenue, New York, 10017, which is registered under the Foreign Agents Registration Acts, as amended, as an agent of the Government of Ireland
This material is filed with the Department of Justice where the required registration statement is available for public inspection. Registration does not indicate approval of the contents by the United States Government

ONE OF THE LARGEST BANKS IN THE WORLD IS TAKING A NEW PATH TO INTERCEPT THE FUTURE.

Historic symbol of Bankers Trust—The pyramid atop our Wall Street building.

A RELATIONSHIP MANAGER IS MORE THAN AN ACCOUNT OFFICER.

In theory, an account officer is the personal link between his customer and all the services his bank has to offer. In practice, however, the account officer is often a specialist who represents only one of a bank's divisions. So a corporate chief financial officer frequently has to deal with many specialists from his bank, none of whom has a comprehensive picture of his financial situation.

At Bankers Trust, we have replaced the account officer with a relationship manager. As the name implies, he or she has worldwide responsibility for identifying *all* of a customer's needs in the banking relationship. And for bringing every pertinent resource of our bank to bear on them.

When we focused the entire resources of our world-class bank on four core financial businesses (wholesale commercial banking, fiduciary services, money and securities markets and corporate financial services) we created a more flexible and efficient structure. Within it, our relationship manager can direct and integrate the work of our specialists throughout the bank to meet your overall requirements.

That's one more way in which our new path to the future generates benefits for you today.

Bankers Trust Company

Worldwide

International Banking Subsidiaries in the United States: Chicago, Houston, Los Angeles and Miami. Overseas Branches: LONDON, BIRMINGHAM, MILAN, PARIS, TOKYO, SEOUL, SINGAPORE, BAHRAIN, NASSAU and PANAMA CITY.
An International Banking Network of branches, subsidiaries, affiliates and representative offices in over 30 countries on 6 continents.

Member Federal Deposit Insurance Corporation © Bankers Trust Company.

Buick's Century Limited Sedan. Our little limousine.

The Century Limited Sedan. Even at its decidedly modest price, it is an excitingly roadable, expensive-looking, quiet Buick.

One which makes six people feel very well taken care of. With many standard amenities and, of course, lots of Limited trim and identification.

And while it may look and feel like a little limousine, with its standard 3.8 liter V-6, it is a tight-fisted little miser at the gas pumps. In fact, with the standard engine and optional automatic transmission, it offers the EPA estimates shown below.

EPA EST MPG	EST HWY	EST DRIVING RANGE	EST HWY RANGE
20	27	362	488

The 1980 Century Limited Sedan. It's our little limousine. And, with niceties like power windows, power seats, air conditioning and the like, you can turn it into even more of a little limousine.

See your Buick dealer soon about buying or leasing one.

We'll have one brought around front for you to inspect.

Remember: Compare the boxed estimates to the estimated mpg of other cars. You may get different mileage and range depending on your speed, trip length and weather. Estimated mileage and range will be less in heavy city traffic. Your actual highway mileage and range will probably be less than the highway estimates. Estimated driving range based on EPA-estimated mpg rating and highway estimates. These range estimates are obtained by multiplying Century's fuel tank capacity of 18.1 gallons by the EPA and highway estimates. Estimates lower in California.

Buicks are equipped with GM-built engines supplied by various divisions. See your dealer for details. The V-6 Electra is not available in California.

THE V-6 BUICKS

SKYLARK CENTURY REGAL LESABRE ELECTRA RIVIERA

Drive one now, during our V-6 Surprise Drive.

Manville's futuristic Colorado headquarters
nney doesn't deny that the company is going through more than one kind of transition.

. Says McKinney about his com-
s basic dilemma, "There's a heri-
ıspect to asbestos. It is ingrained in
psyche more than the numbers
." After all, Johns-Manville is 122
old and since its birth has indeed
virtually synonymous with the
ombustible mineral.

sbestos," he says now, "is less and
f what we do. Actually, today fiber-
is our biggest business in terms of
The day asbestos isn't a good busi-
or us, we'll get out of it."

at McKinney is most hopeful
, despite this past year's problems,
nkraft. With 600,000 acres of tim-
nds in Louisiana, Arkansas and
, that division is smack in the
of the booming southern forest
cts industry. What's more, Olin-
has another 100,000 acres it owns
ıses in Brazil. That puts it in the
of yet another thriving market.
CEO won't say that the company
ıt Olinkraft specifically to replace
tos in J-M's product mix. After all,
tos is still its most profitable busi-
and selling well in foreign mar-
But it is not a growth industry.
same cannot be said for lumber
aper.

Kinney doesn't deny that J-M is
through more than one kind of
tion. Not only has McKinney been
ing time dealing with the problems
estos; he has also been getting out
at he thinks are ill-conceived acquisitions made by his predecessor.

The thoughtful lawyer has also—mainly by his difference in style—changed the tone of the company. Under the flamboyant Goodwin, sales roared up by 91% from 1971 to 1976, pushed heavily by acquisitions. But earnings lagged badly, rising only 18% in the same period.

Olinkraft lumber operation
600,000 acres of valuable timberland.

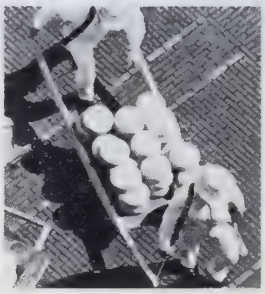
Once Olinkraft gets past its recent problems, which are short-term and not fundamental, McKinney figures it will become the backbone of Johns-Manville's future, especially as Okinkraft expands into high-margin products like carriers for beer and soft drinks as well as specialty grades of paper and out of commodity grades.

That future is still only dimly seen, because a lot of what happens to the company, especially in asbestos, is out of its hands. The courts, legislators who write building codes, environmental agencies and Congress will determine the future of asbestos, and therefore the future direction of J-M.

Meanwhile, McKinney never forgets his company's basic problem. On the wall of his office, there's a blown-up copy of a single sentence from a newspaper, the first media mention, he says, of the fact that smoking together with asbestos exposure increases enormously the incidence of lung cancer. Not only has he banned smoking in all of J-M's asbestos-using plants, but smoking in its offices has all but disappeared, too.

Asbestos is still an extremely important part of Johns-Manville's economic life, but John McKinney knows full well that sometime during his tenure as chief executive his company could acquire a new heritage. And more than likely, that heritage will come from the trees and the forest. ■

Holland wants to share its glories. Golden Tulip Hotels keep the cost of sharing low.



Teleplan

Golden Tulip Hotels, the largest group of Holland's finest and most comfortable hotels, have made it easy to share the masterpieces around you. They've adopted *TELEPLAN,* the fair-cost way of calling internationally.

Many European hotels add 100% and more on international calls. But not Golden Tulip. *TELEPLAN* at Golden Tulip means that telephone service charges on calls paid at the hotel will never exceed $9.50 per day, no matter how many international calls you make. Collect and credit card calls will carry a surcharge of $5.00 per call.

The Netherlands delights all the senses, but the eye is especially favored. So much to see! So much to tell about! Now you can relax and share it with the folks at home. Here's where you can do it the fair-cost way, the *TELEPLAN* way:

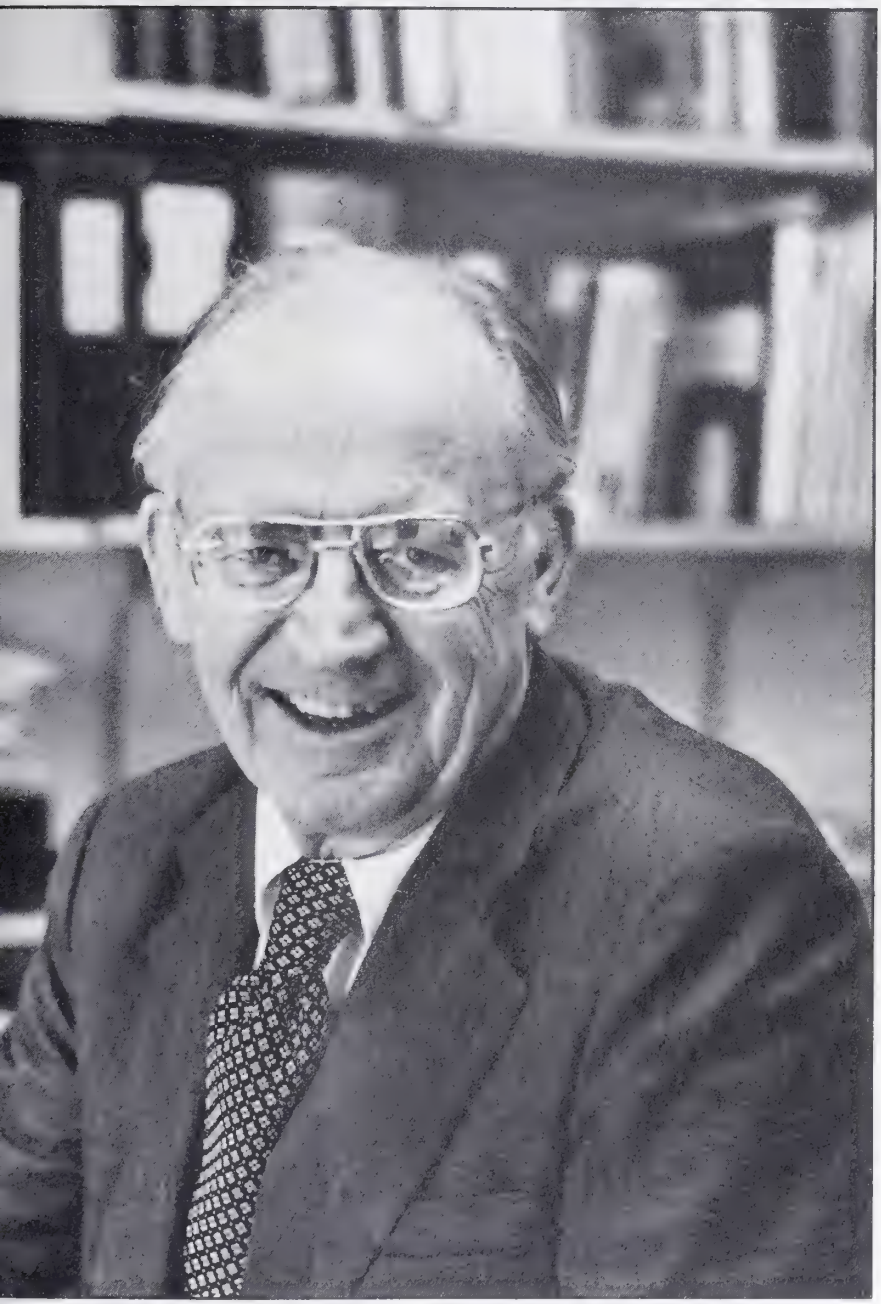
Golden Tulip Hotels of Holland

AMSTERDAM: Apollo; Carlton; Centraal; Krasnapolsky; Pulitzer **AMERSFOORT:** Berg Hotel **APELDOORN:** Hotel de Keizerskroon **ARNHEM:** Rijnhotel; Groot Warnsborn **BOEKELO:** Hotel Boekelo **BREDA:** Mastbosch **EPEN:** Zuid Limburg **GIETEN:** Braams **PATERSWOLDE GRONINGEN:** Familiehotel **THE HAGUE:** Belair; des Indes **HAARLEM:** Lion d'Or **HEERLEN:** Grand Hotel **'s-HERTOGENBOSCH:** Central **LEEUWARDEN:** Oranje **MAASTRICHT:** Hotel Maastricht **NIJMEGEN BERG EN DAL:** Parkhotel Val-Monte **ROTTERDAM:** Atlanta; Parkhotel; Savoyhotel **VLAARDINGEN:** Delta **VLISSINGEN:** Strandhotel **ZANDVOORT:** Bouwes **ZEIST:** Figi **ZWOLLE:** Wientjes

Bell System

ERISA and stockholders' suits scaring directors off the boards of . corporations? Myles Mace doesn't think so—but then, he was the e who started a lot of the fuss in the first place.

"Good ones don't have to worry"



ltant Myles Mace
after steel-fisted CEOs and weak-stomached directors.

As I See It

MYLES MACE, a former Harvard professor and professional director, wrote a book in 1970 called *Directors: Myth and Reality*, saying that the boards of a good part of American business were little more than rubber stamps, made up either of insiders beholden to the CEO or of outsiders who didn't know what was going on. Since then, a mix of ERISA and stockholder activism has translated some of Mace's ideas into action—although not enough for his tastes.

A lawyer who has never practiced law, a corporate manager for only three years, Mace at 68 has been serving as a "professional director" for 10 years. He has served on 15 boards, including Litton Industries, Air Products, Squibb Corp., Carrier Corp. and Hanes Corp. He retired early from teaching business policy at Harvard Business School in 1972, when he decided to go to work full time as a board consultant. Interviewing him in his book-jammed office overlooking the Charles River in Cambridge, FORBES asked if he was worried by the increasing number of lawsuits being filed against directors in the last few years.

Mace: In most of these suits, the directors involved deserved to be sued. They think, "Well, this is a big company, and Harry is a competent manager, so I don't have to worry." That's hogwash, the threat of being sued is starting to motivate directors. There's nothing like taking dollars out of people's pockets to make them more attentive.

FORBES: But aren't more people turning down directorships?

Mace: I hear that all the time at cocktail parties. You know—government waste is good for half an hour, Bill Simon's new book is good for another half, then come the tales of directors resigning in droves. It's idle gossip. I suspect that people who resign and say it's because of director liability just realize they're not being

SPRAY YOUR OWN ROOFS

WHAT'S SO GOOD ABOUT OUR ROOF SPRAY SYSTEM?

1. ECONOMY. The Randustrial® Roof Spray Process can save you up to 50% on labor costs—because your own men do all the work. We loan you the equipment FREE OF CHARGE.
2. CONVENIENCE. You decide when the work is to be done. We instruct your men on the use of the equipment and proper roofing procedures.
3. EFFECTIVENESS. Simply patching and spraying your roofs once every 3 to 5 years with Randustrial®'s quality roofing materials prolongs roof life and saves replacement costs.

Randustrial Corporation
Sales Offices in Principal Cities
13306 Union Ave./Cleveland, Ohio 44120
(216) 283-0300

EXPLORATION
Brock
CORPORATION

PROFESSIONAL PETROLEUM EXPLORATION

NEW ORLEANS, LA
MAIN OFFICE
231 CARONDELET ST./5TH FLOOR
NEW ORLEANS, LOUISIANA 70130

OKLAHOMA CITY, OK

diligent enough; they *should* resign.

Forbes: If a director can prove he's been diligent—has shown the "care of a prudent man"—is that an adequate defense in a lawsuit?

Mace: A diligent director hasn't got a worry. I haven't seen a single case where a really diligent director has been found liable or negligent. Louis Cabot, a director of Penn Central back in 1970, kept telling management the board wasn't getting the right kind of financial information. Later, when the SEC sued, he was not named. The worst possible excuse for a director is that he couldn't have known what was going on. Directors shouldn't stay on a board unless they know about everything.

Forbes: Whose fault is that?

Mace: In general, the CEO's. He controls the information flow to the board, the length of the meetings, the number of meetings and the agenda in most cases. He controls the proxy system in the widely held companies, even though the board is supposed to be the agent for the owners, not the CEO. Directors are responsible for making decisions from thorough information. How can you exercise your judgment when you don't get reports before the meetings, or when you're forced to leave information sheets in the room when you leave? This still happens in major companies. When I asked one CEO why he operated that way, he said I was silly to think that outside directors could be trusted.

Forbes: Isn't there a shortage of qualified independent candidates for boards?

Mace: Absolutely not. That lament reflects the CEO's resistance to certain reservoirs of prospects. If a CEO wants an independent board, he can have one. If he likes the status quo, he can have that, too. Today the classic director is the CEO of another similar-size company. The board is turned into a corporate-name Christmas tree, to impress the stockholders.

Forbes: Who are these new "reservoirs of prospects"?

Mace: Why not reach into second-level management? They have good operating business experience, and they're really willing to work—it adds to their education because they get to see a different business with all its unique problems. Too, there is still a bias against the women out there, who are just as smart as the men. Finally, there's a growing number of professional directors, executives who retire early but have years of valuable experience to draw on and the time to dedicate to a few boards. Frankly, many CEOs feel that professional directors will have too *much* time—will meddle too much. But time is exactly what the responsible director needs.

Forbes: Both SEC Chairman Williams and former Chairman Hill have pressed businesses to have independent outside majorities on their boards. Do you ag

Mace: Williams has done a superb j focusing attention on outside direc The Business Roundtable claims members have a "preponderance" of siders on their boards. But to say t they have to include their commer bankers, investment bankers, law and even their vendors as outsid These people are no more indepen than the CEO's wife. You need on two insiders, and the rest truly *inde dent* outsiders. The insiders don't r questions because it is bad manner challenge the boss in public; the out ers are thought rude if they question CEO in front of his subordinates. But are being asked to vote then and ther

Forbes: Some directors feel they d get paid enough to spend time bein diligent as you want them to be.

Mace: Most of these guys are over no matter what they get. Some of most respected companies in the co try meet four times a year for an h

"Sometimes directors dese to be sued. They think, 'W this is a big company a Harry is a good manager, s don't have to worry.' Ther nothing like taking doll out of people's pockets make them more attentive.'

and a half, and that often includes lu Sure, a small minority put in a lo time, energy and interest into their ties, and these directors might be un paid. But if a board is getting low there's probably a direct correlation v the CEO's expectations of his board.

Forbes: How would you set their pa

Mace: Here's one example: Gor Hanes of Hanes Corp. used to figure how much time his directors w spending on board business a year. averaged about 20 days a year. So Ha divided his salary plus bonuses b year's number of working days, and plied that amount to each of our c spent on Hanes. That came out to ab $20,000 a year per director.

Forbes: Do you consider yourself a former, a dissenter or what?

Mace: Well, I've heard myself classi as a traitor to business, but I think simply a responsible director. And I fine the role as monitoring, apprais and evaluating the CEO, someti challenging his judgment—because board is the ultimate representativ the shareholders. More CEOs than e now want that kind of participa from boards, though more younger c want it than older ones. The focu change for the future is the CEO. U CEOs change, it will be tough going directors.—*Christine Miles*

GROWING OLD: A GROWING PROBLEM

BURLINGTON, Vermont—America is getting older. The number of retirement-age people gets bigger every year. And the problems that they face get tougher every year. The high cost of food, housing, hospital, medical and nursing-home care is taking a terrible toll. Poverty, despair and mental illness among the elderly are on the rise.

In three separate series, William H. Braun, staff reporter for The Burlington Free Press, a Gannett newspaper, investigated the growing problems of growing old in America—and described to the citizens of Vermont new ways to solve them.

These series showed how programs for the aging that stress prevention can be more effective than those that stress treatment. They revealed how nursing homes can be wrong for many older people because they can make them feel unwanted and abandoned, unable to make their own choices. Many of these people simply surrender to despair. Better solutions can be home health services, adult day-care centers and congregate homes, in which a small number of older people live together and make their own choices and decisions in a more home-like atmosphere.

Each series built public awareness of increasing problems for the elderly. Each drew appropriate praise from professionals in the field.

After one series concentrated on exposing problems in Vermont's community-care homes—which house the aged, mentally ill and retarded people—some homes were closed and tighter inspection programs were begun. The state began allocating more funds to aid the elderly.

All the people of Gannett take special pride in concerned journalism and community commitment like that expressed by Bill Braun and The Burlington Free Press.

It reflects the strong commitment to excellence, professionalism and independent community service that we all share.

At Gannett, we have a commitment to freedom in every business we're in, whether it's newspaper, TV, radio, outdoor advertising, magazine, film production or public opinion research. Freedom rings throughout Gannett in news coverage, in editorial opinion, in public service. From Burlington to Boise, Danville to Denver, Pensacola to Phoenix, each Gannett member serves its community in its own way.

GANNETT

A WORLD OF DIFFERENT VOICES
WHERE FREEDOM SPEAKS

designer fabrics	Huntington House	Decorative Products D
decorative fabrics		
easy-apply decorator vinyls	Style-Touch, Magic Cover	
wallcoverings	Style-Tex, Strahan, Benchmark	
companion fabrics		
thermal windows		Binning's Building Produ
patio doors		
aluminum windows		
glazed tile		American Olean Tile
ceramic mosaics		
quarry tile		
cushioned vinyl flooring	Biscayne Decorative Products	
gypsum wallboard		Gold Bond Building P
vinyl siding		
pre-decorated wallboard		
partition systems		
ceiling tiles and panels		
glass tabletops	Glasscraft Products	Binswanger Glass Co
laminated safety glass	Binswanger Mirror Products	
mirrors		
tempered glass	Hamilton Glass Products	

Together, they help make us National Gypsum.

National Gypsum is our name. But don't let our name fool you. We're one of the largest, most diverse manufacturers and suppliers of building materials in the world.

We're the name behind Binning's Building Products, Binswanger Glass, Style-Tex and Thomas Strahan wallcoverings, Huntington House decorative fabrics, American Olean Tile, Biscayne Decorative Products and Gold Bond Building Products.

The fact is, National Gypsum is a leader in wallcoverings, ceramic tile, wall and ceiling products, patio doors, mirrors, storm doors—over 150 different kinds of building products.

This past year alone, we helped build everything from warehouses to highrises. And we helped remodel everything from homes to airports. While dividends increased 13%.

And the future has never looked brighter. Because America will always be building. And when you think of building, think of National Gypsum. We're gypsum. And then some.

National Gypsum Company

A family of companies building for the future

For a copy of our annual report, write Dept PR-FB5, 4100 First International Building, Dallas, Texas 75270

For champagne tastes.

There are those who will go to any expense to perfect a martini. Or even to perfect a mixed drink. Boodles, the ultra-refined British gin, spares no expense to please those perfectionists. It is produced from the world's costliest methods and imported from Great Britain. If cost is no consideration in satisfying your taste, consider Boodles in your next martini—or mixed drink.

Boodles. The world's costliest British gin.

94.4 Proof. Distilled From Grain. General Wine & Spirits Co., N.Y., N.Y. 10022

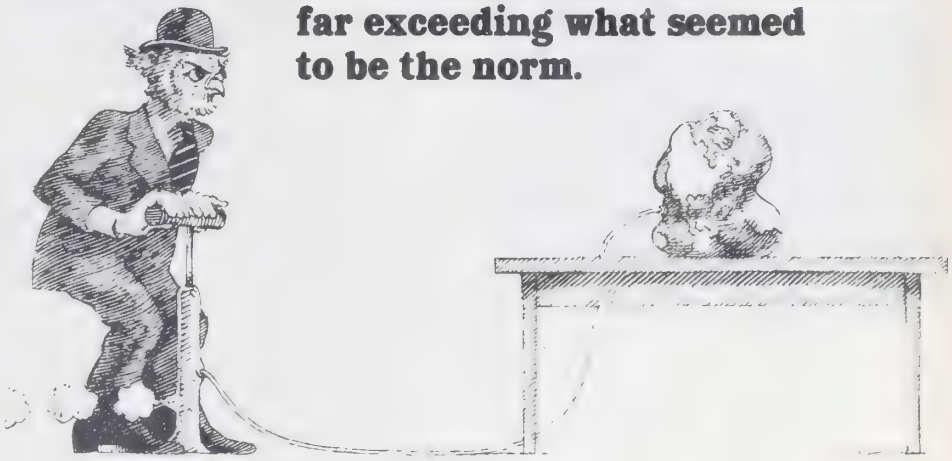
Parkinson's Law of the Vacuum (or, Hoover for President)

By C. Northcote Parkinson

executive who has ever d an assistant, or allowed eone else to do so, probably good reason to quake at the e mention of the name C. hcote Parkinson. The justly ous Law that bears his e—"Work expands so as to he time available for its com- on"—is a piercing insight the wasteful ways of all orga- tions. Under that Law count- executives are guilty of, or at very least accessories to, the inuing crime of bureaucratic ering.

rkinson announced his Law 955, and executives ever e have avoided its meaning inding it merely funny. It's erstandable. Parkinson, a his- n and teacher, happens to be to say dead-serious things wit, clarity and style. But he s making it harder to evade rely his awful truths. At the of 70, ensconced in his pleas- home on the Isle of Guernsey he English Channel, he has ed further into the nature of nizations and has massaged irst Law into a more general ry, with implications not for business organizations or nations as well.

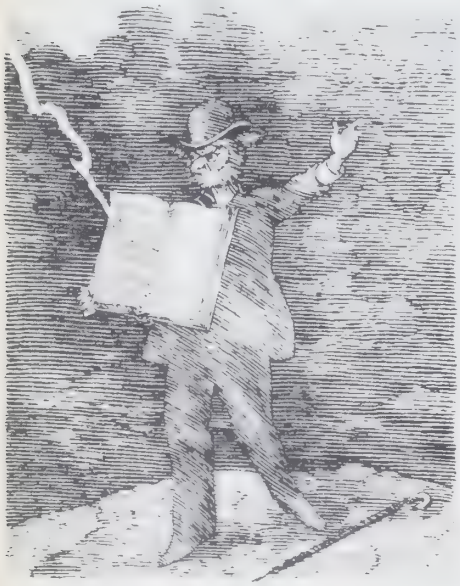
Parkinson's first Law, which governs the relationship between work and time, has never been disproved, whether by argument, experience, research or thought. As a corollary to the central theory is the obvious conclusion that any administrative staff must increase in number by a known percentage irrespective of the work (if any) to be done. In public administration, moreover, there have been instances of expansion far exceeding what seemed to be the norm.



Generally speaking the validity of the Law has been proved by subsequent events but with certain exceptions which have to be admitted. For one thing, Parkinson's Law has itself had its impact, those who have studied it finding the means to circumvent it, just as careful students of *Das Kapital* know how to frustrate the spread of Marxism. There are instances, especially in private enterprise, of administrative proliferation being checked or even reversed. A leading German corporation once reduced its central office staff from 2,000 to 250. Something is being done to reduce the governmental burden in the state of California. Events such as these are not a matter of daily occurrence, but they do happen from time to time.

From the book The Law: Or Still In Pursuit *by C. Northcote Parkinson, soon to be published by Houghton Mifflin Company, Boston. Copyright © 1980 by C. Northcote Parkinson.*

"... An eminent industrialist resolved to concentrate all his offices under one roof, not because this would make for greater efficiency (it doesn't, as he well knew) but because it would reduce the total sum payable in municipal taxation. Even as distinguished a man as the managing director had forgotten that office staff will always multiply so as to fill the office space available. On the opening day all the new offices were occupied by office staff. A week later all old offices, scheduled as they were for demolition, were as fully occupied and as busy as before...."



These exceptions prove the r
but it could be argued that the Law, although generally accep
deserves a better explanation than it has ever had. It has, in poir
fact, been studied over the years and all the work done points to
conclusion that Parkinson's Law is one aspect of a more general la

Action expands to fill the void created by human failure

Take a specific example. A large industrial group in England c
under the managing direction of an industrialist so eminent tha
later achieved a peerage. Looking around the central plant he
served that the administrative offices were scattered over the wl
complex, some accommodated in temporary wooden huts of a de
fashionable during World War I, others in more recent struct
which may or may not have been originally planned as bicycle sh
He resolved to concentrate all these offices under one roof,
because this would make for greater efficiency (it doesn't, as he
knew) but because it would reduce the total sum payable in munic
taxation. The new office building, revolting in its modernity,
completed and declared open with all the pomp which norm
marks the completion of any building which is sufficiently hide
Had the organization been perfect the cutting of the tape at the n
entrance should have coincided with the blast of a whistle, the si
for the bulldozers to demolish the old offices, the sites of wl
should have been leveled by sunset. Even as distinguished a ma
the managing director had forgotten that office staff will alv
multiply so as to fill the office space available. On the opening da
the new administrative block all the new offices were occupie
office staff. A week later all the old offices, scheduled as they wer
demolition, were as fully occupied and as busy as before. An ap
ently good idea had produced disastrous results, not so much bec
of the money wasted as because of the greater inefficiency wl
goes with greater numbers.

The same general principle
plies to the drama of the takeover bid. We have all heard of
wizards of finance who terrorize the City and make vast fortu
from the annexation, amalgamation and reorganization of busin
es, actually ailing, which we had all regarded as monumental in t
solidity. What firm is safe, we ask ourselves, while these pir
range the stock markets? Can no law be framed to protect
possible victims? But here again the basic fault lies in the a
complacency of portly directors who fail to realize how vulner
their position has become. By leaving early and coming late t
self-satisfied men prepare the way for their own downfall. They
unenterprising, inactive, ignorant and old. But the business whic
not imaginative and dynamic has already begun to decline and
the vacuum created by its decay which attracts the takeover bid
as its internal inertia causes industrial dispute. The plant wl
ceases to blossom has begun, in fact, to die. All this may s
obvious enough but we seldom notice that the truth about
vulnerable firm applies also to free enterprise as a whole. We re
nize the external pressures quickly enough. Communist count
present a military threat, preceded by the more insidious processe
infiltration. Communist or semi-communist internal parties pre
a different sort of threat, making use of industrial unrest and
rusting machinery of the democratic process. Aware of these
gers, businessmen react with belated indignation and protest. W
they fail to see is that the fault lies at least partly within themselv

A declining institution, whether untry, a university, a trade union or a business enterprise, is one vhich the leaders have lost their way, have forgotten above all t exactly they are trying to do. The creation of the vacuum is due asic causes which need for their proper analysis not a page but a k. If the causes are obscure and complex, however, the symptoms obvious and one of them is the failure to communicate. There are er symptoms, heaven knows, some to be found in the balance et, others in the sorry tale of government by deficit, but it is ber to emphasize what the most casual observer must notice first. judge an industrial or commercial enterprise by the attractive-, or otherwise, of the girl at the reception desk. We judge a versity by the wealth and variety of books on sale at the campus kstore or in the adjacent high street bookshops. We judge a tary unit by the way the officers group themselves in mess. But also judge every kind of institution by the message it has for the ld. Every building, for example, has a message to convey; often no e than the statement "We wanted 10% on the outlay." But where ilding will always say something, however sordid or banal, an nization will often fail to say anything and this we describe as a ure to communicate.

Communication, upon which all ization depends, involves the transmission between people of tions, facts, ideas or instruction. To succeed in the art of commu-tion we must have the wish to communicate, the ability to te trust, a clear idea of what we want to say and, finally, a sense of e. We must realize that whereas most people want to talk, few of n have anything to say. What organization men say or write or t often means nothing at all, being merely the bureaucratic valent of breaking wind. To succeed in the art of communication have to make a big effort and it is initially an effort of imagina-. We have to put ourselves in the position of the people we seek fluence, which is for most of us the most difficult task of all.

At the Battle of Balaklava Lord an sent a message to Lord Lucan, telling him to attack the my guns. From where he was, on a hilltop, it was perfectly clear t he meant. Down in a valley Lord Lucan had a different view of battlefield, which did not include the cannon which Lord Raglan ted to recapture but did include whole batteries to which he had meant to refer. On Lucan's orders Lord Cardigan charged them at head of the Light Brigade, which was totally destroyed. The point mphasize is that Lord Raglan, who had many virtues, lacked the gination needed to realize what the battlefield looked like from a rent angle, and indeed on a different level. This sort of mistake is ated every day and is always the result of a failure to see the ation from someone else's point of view.

Given the desire to communicate given some imagination, our next task is to ensure that people believe what we say and accept what we promise. It is no good ng: "Trust me. Rely on my word." Only politicians say that. It is to ask "Do you doubt my integrity?" for that is a phrase used by crooks. Trust is not something you can demand. It has to be ed over a period of years by a process which can begin with the acquaintance. The final agreement is between friends. The same applies on the factory floor. The industrial dispute we aim to ent is the one which would otherwise take place in five years' e. To check it at the outset we begin talking now, not about wage

"... A declining institution, whether a country, a university, a trade union or a business enterprise, is one in which the leaders have lost their way, have forgotten above all what exactly they are trying to do. The creation of the vacuum is due to basic causes which need for their proper analysis not a page but a book. If the causes are obscure and complex, however, the symptoms are obvious and one of them is the failure to communicate. . . ."

"... To succeed in the art of communication we must have the wish to communicate, the ability to create trust, a clear idea of what we want to say and, finally, a sense of style. We must realize that whereas most people want to talk, few of them have anything to say. What organization men say or write or print often means nothing at all, being merely the bureaucratic equivalent of breaking wind...."

differentials but about racing, fishing, music or chess. Once you ha established yourself as a friend you can go on to prove that you ar man to be trusted.

Only after a proper relationsl has been established can one frame the message to be conveyed. each individual case the message will be different, but let us assu hopefully that it is known exactly what is to be said. As from a management, the message must be individual, but from industry a whole three messages need to be emphasized repeatedly. First, peo need reminding that industry created the world in which we actua live; the world of the automobile, telephone, typewriter and rad Second, it must be reiterated that wealth must be made before it c be spent. Third, while business offers employment it does not ex for that purpose. Having noted this, it must be recalled that comm nication is a two-way process and that reaction has to be sensed a analyzed. It is a sign of failure when a deputation comes to compl about something. We should have known about it beforehand. should have been there first.

Come now to the importance style, which is the imprint of character upon what we do and s Any effective announcement or message conveys a sense of person ity. While precise and terse, it goes beyond precision and brevity comes from a known character, not from a faceless management never includes long words and involved constructions. Short wo are best, each one a hammer blow and not a handful of cotton wo Last of all, it often includes a touch of humor. This serves more th one purpose. It makes the message human. It attracts attenti Above all, it assists memory. And the secret of humor, employed a deliberate tool or device, is so to tie in the joke with the message t remembering one means remembering both. This is not as easy a may sound and success not derived from inspiration must result fr hours and hours of work.

Why is communication so v to industry? Because this is another example of the vacuum's imp tance. If we do not tell our own story it will be told for us by oth and greatly to our disadvantage. In the world of today there i wealth of information circulating on every subject. People are delu with facts and theories and advice about everything, whether sp en, printed or broadcast. No industrial group can afford to surrou itself in mystery or find a special dignity in silence. It is t reticence which will make it vulnerable to allegations which v range from ill-treatment of its employees to pollution of the atr sphere, from waste of by-products to bribery in local governme Nor do we save the situation by denying the accusation. All we do by such protest is to attract more attention to all that has b said against us. But the fault is ours. We created the vacuum i which all this nonsense had to flow. Bad instructions are sometin deliberate, arising from some muddled motive, the desire to hun iate, the desire to reveal somebody's stupidity, the desire to sh that the coming disaster was not our fault. In such instances the v to communicate is absent. More often, however, the will is there, the imagination is not.

Experience of this sort leads u the general conclusion that the vacuum in human affairs may more important than we have so far been led to suspect. A percept politician once referred to the winds of change, and a far greater m living in an earlier and greater period of history, once contrasted

FOR YOUR NEXT BUSINESS MEETING

Lake Tahoe the way it was... and still is. 460 newly appointed rooms and suites on the North Shore plus a Regency Club Level with Concierge and special VIP amenities.

2 nearby Robert Trent Jones golf courses and 26 tennis courts close to the hotel. Our own beach for swimming, water skiing and water sports. A heated pool. Horseback riding at Ponderosa Ranch. Indoor and Outdoor Theme Parties.

Elegant dining in the only hotel restaurant on the lake. Live entertainment in the lounge. Excitement in our 24 hour casino. 20,000 sq. ft. of Meeting Space (a ballroom of 8,000 sq. ft.) accommodating 1,000 theatre style or 700 for banquet—plus additional meeting rooms. An experienced meeting planning staff. Regularly scheduled transportation from Reno Int'l Airport.

Call Director of Sales: 702-831-1111

Capture the spirit™

HYATT LAKE TAHOE

AT INCLINE VILLAGE

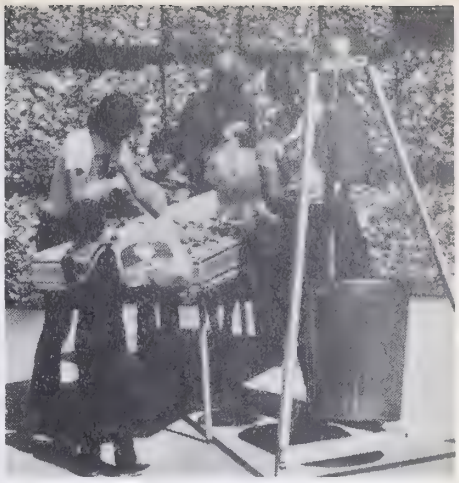
"... We are apt to blame an aggressive nation for causing a war and there is a sense in which our strictures may be just. But what of the wretched country which is invaded? Its part in causing the war was probably far more important. It may not be morally to blame, but it created the situation in which war had become inevitable. The Spanish conquest of Mexico shed far more light on Aztec weakness than upon Spanish resolution and courage, admitting as we must that Cortés had both. . . ."

beneficent gales of spring with the tempest which brings only struction in its wake. But the hurricane which appears to blow roof off a house has not really done so. The roof was actually suc off by the vacuum formed in the building's lee. In human affairs vacuum plays as significant a part and one no less vital for bein often unnoticed. We have been misled by historians who tell u revolutions brought about by ill-nourished peasants plotting re against their masters. But people who are really oppressed n revolt and any revolution which is seemingly the result of discon should always, on that supposition, have happened a great sooner when things were a great deal worse. Tyrants flourish and their well-meaning successors who face the firing squad. In o words we do wrong to waste time on studying the conspiracy should rather concentrate our attention on the government whic to be overturned. Talk about the real or imagined suffering of the p is irrelevant because each revolution is really brought about by government itself, by the men who created the vacuum into wh the rebels are almost unwillingly sucked. Will the present regime the West be destroyed by *coups d'état?* It would seem quite possi but we should do wrong to ask ourselves whether the armed force the Western nations have any such plans in mind. They have not it would be of no great significance if they had. The people to st are the ministers and their immediate entourage. Is their ineptit sufficient to create the vacuum into which some other force be drawn?

What is true of internal stabi or its absence is no less true of foreign affairs. We are apt to blam aggressive nation for causing a war and there is a sense in which strictures may be just. But what of the wretched country whic invaded? Its part in causing the war was probably far more import It may not be morally to blame, but it created the situation in wh war had become inevitable. The Spanish conquest of Mexico shec more light on Aztec weakness than upon Spanish resolution courage, admitting as we must that Cortés had both. Empires lapse as a result of internal decay, and rulers who are guiltless of particular crime cause disaster through all they have failed to do. effective rule has direction, momentum, color and speed. It is lack of these positive characteristics, as perhaps in Czarist Rus which must eventually create the vacuum. If the West is to surviv must achieve a measure of unity which is so far conspicuo lacking, but its failure, if it fails, will be in Brussels and Washing not on the threatened frontier nor even in the countries which c most desperately to that sovereign status they can no longer affor maintain.

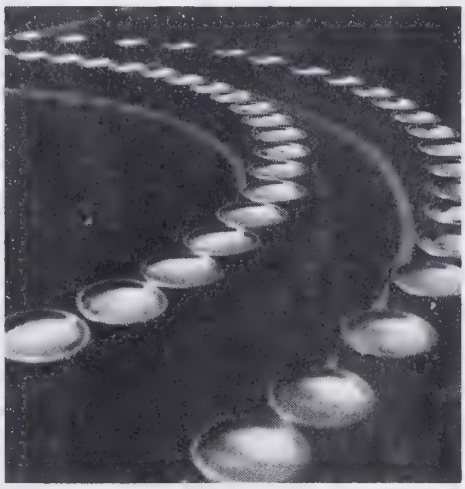
1. USE IT

2. SAVE IT



3. RETURN IT

4. REMELT IT



5. REMAKE IT

6. REUSE IT

The aluminum can. Recycling it conserves energy and natural resources.

It's light, quick chilling and convenient. And it's fast becoming America's most popular beverage container. But that's only half the story. Because by returning used aluminum cans for recycling, Americans are really helping to save energy.

Every time an aluminum can is recycled, we save 95 percent of the energy needed to make new metal from bauxite. Last year, the aluminum industry received a record 7.1 billion used aluminum beverage containers for recycling.

By putting those cans back to work, enough energy was conserved to meet the residential electrical needs of a city like Pittsburgh, Pennsylvania for over a year. And recycling also helps Alcoa® reduce its consumption of coal and bauxite, both valuable natural resources.

Recycling is growing fast. In the last seven years, thousands of civic groups and individual collectors have earned over $180 million through recycling. And recycling has added an estimated 15,000 new jobs to the economy—jobs that didn't previously exist.

For additional information about this exciting new industry that saves more and more energy as it grows, write Aluminum Company of America, 446-E Alcoa Building, Pittsburgh, PA 15219.

We can't wait for tomorrow. ALCOA

If you think your premiums are paying for your competitors' losses,

check with the leader.

Controlling insurance costs can go a long way toward improving the bottom-line results of your company. As the world's leading broker, Marsh & McLennan can help you develop the most cost-effective method of administering your risk management program.

We can identify the areas of coverage where your loss experience is better than the average for other companies in your industry —and develop loss-sensitive programs based on your loss history

hat give you credit for the quality of your operations and improve your cash flow. So you don't pay for your competitors' poor loss records.

Improving your loss record

High loss ratios not only ultimately increase insurance costs, but interfere with your company's productivity as well. M&M Protection Consultants, our loss-control specialists, develop hazard-control programs that are effective in reducing losses and which lead to lower insurance premiums.

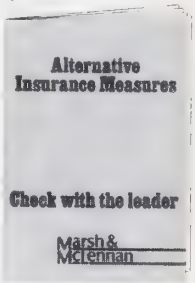
When a loss does occur, we can help you settle the claim through the most advantageous claims management plan.

More ways to control costs

Marsh & McLennan can help you reduce your fixed premium costs in other ways, too. For example, we can analyze your level of risk retention and recommend appropriate deductibles or risk-retention levels.

Altogether, Marsh & McLennan has the people, organization, experience and negotiating power in the insurance marketplace to provide the most cost-effective coverage for all your company's assets.

For more information on controlling your company's insurance costs, write for a copy of our booklet "Alternative Insurance Measures" to: Mr. Robert Clements, President, Marsh & McLennan, Incorporated, Dept. 10FB, P.O. Box 839, Radio City Station, New York, NY 10019.



When it comes to insurance, come to the leader.

Marsh & McLennan

© 1980, Marsh & McLennan, Incorporated

Translating six input signals into five instrument readings or direct control functions, a microprocessor accounts for much of the earthmoving efficiency of our new JD862 Scraper. For the machine operator, this electronic controller governs a six-speed transmission to increase productivity, reduce fuel consumption. For the field technician, this system self-diagnoses electrical problems to speed servicing. For us, this pioneering technology may accelerate further improvement of our many other machines for construction, public works and the forest industries. Your inquiries are welcome. John Deere, Moline, Illinois.

JOHN DEERE ON THE MOVE

JOHN DEERE

uldn't it be nice if stocks were like mutual funds—where investors uld insist that management redeem their shares on demand at net et value? They can't, but sometimes takeovers have the same effect.

Appraised value: the stuff of dreams

Statistical Spotlight

HERE ARE THOSE WHO THINK the asset-play game is over, that the stock market must find new lead- p. But contradictory opinions make ock market what it is, and there are plenty of analysts who think the play game is far from over.

e asset play, essentially, is an infla- hedge; it takes center stage when tors are scared about rising prices. rotect their purchasing power, in- rs look for companies that possess natural resources. In more confi- times, investors care more about ngs; in inflationary times they in terms of assets. The flaw in the play is that it assumes liquidating. does it avail a company to own ble forestlands if it turns the trees cardboard boxes on which it can't much money? Nevertheless, ever inflation revs up, investors refuge in assets.

netimes this faith in assets is justi- especially in takeovers or buyouts. am Co., whose stock has been sell- n the high 30s, jumped nearly 25 s earlier last month when Sun Co. a $2.3 billion offer for Seagram's l and gas holdings. That offer was worth $66 per share pretax—far more than Seagram had been selling for. Announcement of the offer caused a rally in oil and gas asset-play stocks, which had been sagging badly on profit-taking.

All this results in an interesting paradox: Small oil and gas companies, because they are buyable, sell closer to asset value than giant ones that are too big to take over. Texaco, for example, sells at a dirt-cheap 28% of its asset value while little Crystal Oil sells at more than 150% of its appraised value.

In this sense, the asset-play game is a variation of the takeover-prospect game. That's why, although the takeover game has faded for most assets, a victim of tight and expensive money, it still flourishes in oil and gas because the companies doing the buying—the big oil companies—still have plenty of cash.

There are many ways to measure a stock's value: You want to know what the ratio is between its price and its earnings—the price/earnings ratio. You want to know what is the rate of growth of its profits. You want to know what kind of return it gets on its assets. You want to know what kind of management it has—good, bad or indifferent. Appraised value is one more yardstick, always useful but never so in isolation from the other factors. In this spirit, FORBES has painstakingly prepared the following listings of 186 corporations with estimated values of underlying assets—or in the case of gold, estimated future discounted earnings—for each. The estimates come from various reliable sources, listed below the tables. Point to remember: Appraised value is not the same as book value. The latter is simply original cost less depreciation. Appraised value is often many times higher than book value. Why? Because timber acquired 50 years ago is clearly worth far more than it cost; oil and gas in the ground may be worth many times the investment required to find it and develop it.

There's something missing from the tables: companies with substantial land holdings. We tried. We really did. In the end we had to give up because there were so many different companies owning so many different kinds of land that appraisals would have been meaningless. Anyhow, no two pieces of land are alike. It's different with other resources: Coal, oil, gold, silver and timber are far more fungible than land.

Read on. You may be surprised to learn how rich in assets some companies are. But remember: These figures are only one dimension of corporate value, albeit a significant one.—*Alyssa A. Lappen*

Oil and gas companies

l es	Reserves oil*† (mil bbls)	Reserves gas*† (bil cu ft)	Reserves coal* (mil tons)	Oil and gas companies	Market price as % of appraised net worth	Appraised net worth per share*	Recent market price	52-week price range	Price/ earnings ratio	Average growth in cash earnings (7-yr average)‡	Current yield
				International							
29	5,283	7,384	613	British Petroleum	49%	$ 65.85	32	38½–21⅞	7	56%	5.2%
50	6,260	22,100	9,500	Exxon	40	140.30	55½	67¾–49⅛	6	12	8.6
37	1,943[a]	6,893[a]	370[a]	Gulf Oil	59	61.35**	36⅛	54½–25⅛	5	12	6.2
41	2,115[a]	8,502[a]	3,700[a]	Mobil	79	78.60**	62	89½–35⅝	7	16	4.8

res supplied by *Oil Industry Comparative Appraisals*, John S. Herold, Inc., except where otherwise indicated
total oil, condensate and gas liquids reserves. Gas: North American reserves only.
earnings, net income, depreciation and deferred taxes
raisals calculated in or before July 1979
pany figures, 1979.

Oil and gas companies

Total revenues (mil)	Reserves: oil*† (mil bbls)	Reserves: gas*† (bil cu ft)	Reserves: coal* (mil tons)	Oil and gas companies	Market price as % of appraised net worth	Appraised net worth per share*	Recent market price	52-week price range	Price earnings ratio	Average growth in cash earnings (7-yr average)‡	Cu yi
$66,111[b]	860	5,125	—	Royal Dutch Petroleum	41%	$173.55**	70½	92 –65⅛	2	18%	
66,111[b]	570	3,400	—	Shell Transport & Trading	53	56.15**	29½	37¼–27	3	16	
31,800	1,901	6,348[a]	—	Standard Oil (Calif)	44	140.50	62⅜	85 –44¼	6	11	
39,096	3,480	13,975	2,000	Texaco	28	112.70	31⅝	41⅝–24¾	5	8	
				Refining and producing							
6,813	816	1,938	—	Amerada Hess	32	130.45	42	61½–30¼	3	16	
1,622	31[a]	157[a]	—	American Petrofina	59	52.15**	31	48¼–28¾	4	13	
16,676	2,640[a]	13,400[a]	1,175[a]	Atlantic Richfield	70	120.40**	83¾	106 –60⅞	9	26	
6,276	336[a]	3,197[a]	—	Cities Service	61	141.80**	86¼	112½–58⅝	7	18	
13,100	1,793[a]	4,466[a]	15,020[a]	Conoco	49	88.40	43⅛	58⅝–31	6	17	
1,059	11[a]	89[a]	—	Crown Central Petroleum	61	39.55**	24	55⅛–17⅝	2	33	
165	13[a]	42[a]	—	Crystal Oil	158	17.10	27	34¾– 9⅛	23	25	
5,120	1,590	2,600	126	Getty Oil	59	120.00	71	97¾–42½	10	20	
2,683	103	956	971	Kerr-McGee	53	109.10	58¼	78⅝–43½	9	22	
7,200	1,226[a]	2,301[a]	140	Marathon Oil	41	128.90	53⅜	73¼–34⅜	11	19	
181.8	7[a]	49[a]	—	Marion Corp	91	15.85	14⅜	24 – 7	5	75	
1,590	218[a]	614[a]	—	Murphy Oil Corp	163	52.00**	84½	123 –46½	10	21	
9,554	875	305	3,400	Occidental Petroleum	71	31.35	22⅜	31⅞–18	3	24	
113	14[a]	10[a]	—	Pauley Petroleum	57	28.35	16¼	28¼– 7	8	28	no
2,051	99[a]	1,158[a]	—	Pennzoil	131	26.25**	36¼	54¾–23⅛	8	22	
9,744	1,127	4,333	8,000[a]	Phillips Petroleum	67	57.75**	38½	61⅛–34	7	22	
692	26[a]	70[a]	405	Quaker State Oil	61	18.70**	11⅜	19⅝–10¾	7	8	
14,546	2,317[a]	6,703[a]	2,216[a]	Shell Oil	68	83.80**	56⅝	76 –37¼	8	12	
20,200	2,627[a]	10,750[a]	—	Standard Oil (Ind)	77	121.05**	92⅞	121¼–60	9	16	
7,916	3,888[a]	6,672[a]	1,112[a]	Standard Oil (Ohio)	40	214.30	85½	110½–47⅝	9	38	
10,800	815	3,900	2,500	Sun Company	39	174.65	68⅝	88⅜–49⅜	6	14	
2,370	85[a]	17[a]	41[a]	Tesoro Petroleum	92	18.50	17	27⅞–10	3	13	
7,700	863	6,354	—	Union Oil California	40	119.30	47¼	62½–32⅜	8	14	
				US producing							
92	13[a]	155[a]	20[a]	Adobe Oil & Gas	60	75.00[d]	44⅝	56 –22⅜	28	17	
15.5	3	76	—	Amarex	98	18.60	18¼	31 – 9⅜	18	30	no
109	1[a]	79[a]	—	Apache Corp	62	40.00[l]	24¾	44 –18¼	15	32	
9	13[a]	24[a]	—	Argo Petroleum	109	13.30	14½	24¾– 8⅝	—	0	no
6	1	83	6	Barnwell Industries	55	19.85	11	24⅝– 8⅞	—	18	
644	138[a]	712[a]	140[a]	Belco Petroleum	60	54.50**	32¾	50 –26⅜	5	26	
158	17	197	—	Buttes Gas & Oil	39	32.05	12⅜	18¼– 9½	13	0	no
1,122	8	478	—	Cabot Corp	61	91.00	55⅝	68⅝–34⅝	7	21	
7	4[a]	16[a]	—	Callon Petroleum	91	8.80	8	14¼– 4¾	15	47	no
39	6[a]	167[a]	—	Consolidated Oil & Gas	107	8.37**	9	14½– 4⅞	42	9	no
13	3	69	—	Damson Oil	143	9.00	12⅞	25½– 8⅝	—	15	no
368	30	278	—	Dorchester Gas	60	39.75	24	38½–13¼	7	33	
10	8[a]	68[a]	—	Equity Oil	79	46.70	37	65 –19¼	25	31	
40	5	102	—	Felmont Oil	76	60.60	45⅞	76¾–28	17	17	
71	4[a]	376[a]	—	Forest Oil	82	29.70**	24⅜	38½–16½	23	16	
155	85	667	—	General American Oil of Tex	70	68.30	48	70½–39⅜	16	17	
26	2	344	17	Great Basins Petroleum	110	13.15	14½	24¼– 6⅛	—	29	no
49	22[a]	90[a]	78[a]	Hamilton Brothers	178	14.35**	25½	34¼–14½	14	22	no
146	11	245	—	Helmerich & Payne	86	54.60	46¾	57 –24¼	17	24	
352	24[a,c]	698[a]	—	Houston Oil & Minerals	105	18.20**	19⅛	31⅞–16¼	10	74	
103	10	215	—	Inexco Oil	141	19.90	28	39⅜–16⅜	20	27	
78	1[a]	48[a]	—	Lear Petroleum	111	14.95	16⅝	29 –11¼	16	49	
817	121	714	—	Louisiana Land & Expl	72	46.85	33⅞	57⅞–27¼	8	23	
17	2[a]	33[a]	—	Maynard Oil Company	177	7.05	12½	20⅜– 5⅞	34	35	no
269	20	438	—	Mesa Petroleum	116	19.80	23	35⅜–17⅜	3	23	no
—[i]	9	832	—	Mesa Royalty Trust	118	28.05	33	42⅜–27¼	—[i]	—[i]	no
76	12	52	—	McCulloch Oil	71	13.10	9¼	15¾– 5¾	3	110[cg]	no
9	[a]	6[a]	—	McFarland Energy	78	12.20	9½	17¼– 5	—	22	no
458	20	445	—	Mitchell Energy & Dev	117	36.05**	21⅛	25½– 8	12	45	
7	1	42	—	NFC	76	19.95	15¼	19 –12⅞	14	16	

*Figures supplied by *Oil Industry Comparative Appraisals*, John S. Herold, Inc., except where otherwise indicated. †Oil: total oil, condensate and gas liquids rese Gas: North American reserves only. ‡Cash earnings, net income, depreciation and deferred taxes. **Appraisals calculated in or before July 1979. [a]Company fig 1979. [b]Revenues of Royal Dutch Shell Group. [c]Not calculated on a per share basis. [d]Company figures, oil and gas reserves only. [e]Excluding foreign reserves trust was split off from Mesa Petroleum in November 1979. [g]Less than seven years data. [h]Estimates by David Snow, A.G. Becker, excluding frontier resources. range only. [i]Canadian dollars except where otherwise noted. [k]U.S. dollars. [l]E.F. Hutton.

The matchmakers.

Burroughs modular terminals give you the flexibility to match your precise requirements. And their advanced design allows you to expand at any time without disruption.

Burroughs Modular Terminals (BMT™) offer almost unlimited configuration flexibility. And greater economy in overall data communications costs.

Displays, keyboards, printers, magnetic card readers, memory subsystems and more can be structured into a network that matches the job at each work station with the exact terminal for that job.

Each BMT terminal system is driven by its own microprocessor, a tiny, but powerful, programmable computer with its own memory.

This microprocessor supplies processing intelligence for the terminals. And for application programs, data storage and peripherals.

It eliminates the need for separate communications controllers. And it allows the terminals to be programmed for alternate functions.

You can also incorporate new hardware without systems reprogramming. You can change and expand your network, and take advantage of new BMT developments, without having to revise programs or replace equipment.

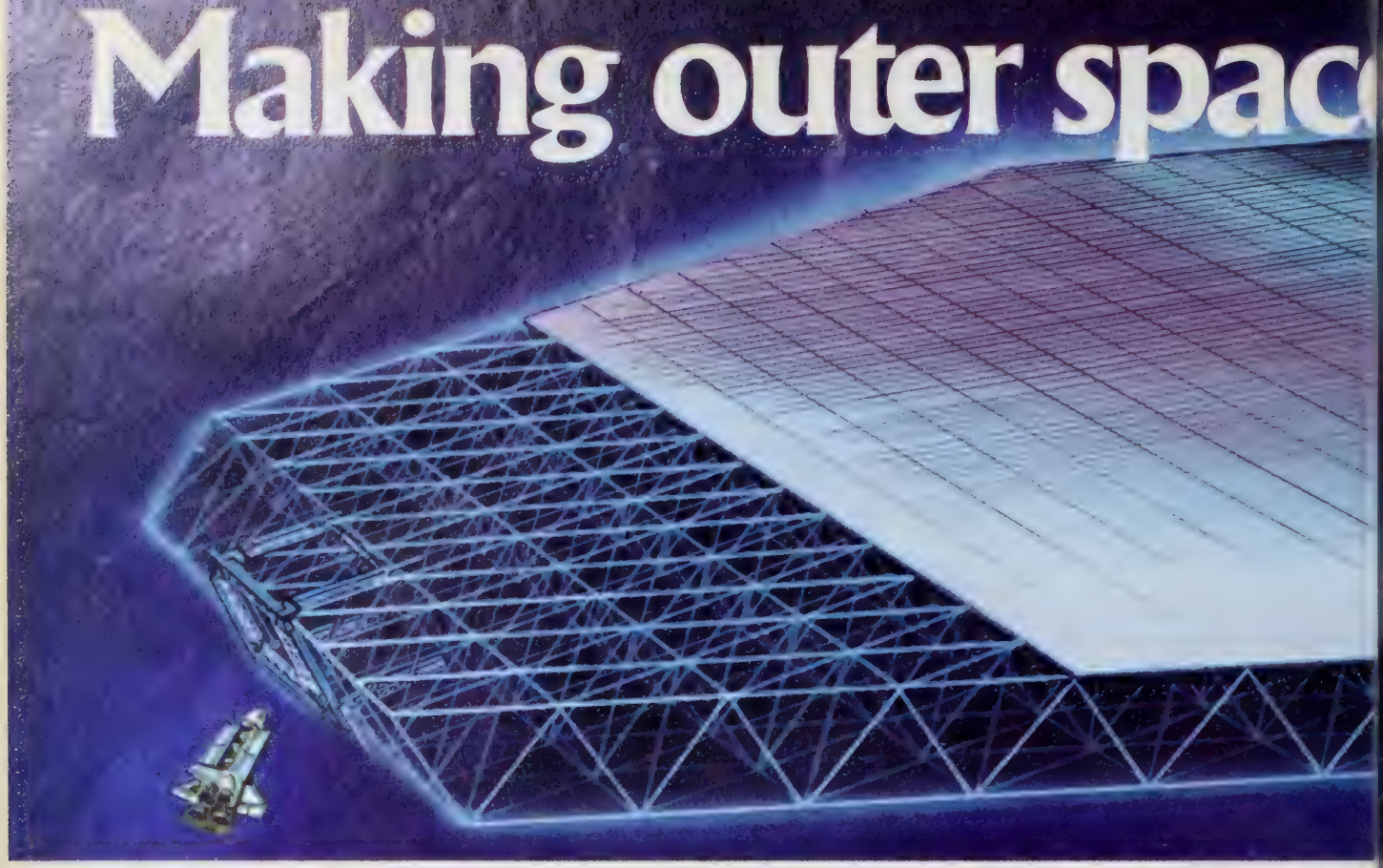
And remember, every Burroughs system fulfills the need that counts most in your business: increased productivity. Burroughs has understood this for over 90 years.

That's why we provide total capability in information management. Computers, word processing systems, facsimile communications, system software, application programs, customer training, maintenance, plus business forms and supplies. We call it Total System Support. And it's there to help you improve your productivity.

For additional information, call your local Burroughs office or write Burroughs Corporation, Department FRB-12, Burroughs Place, Detroit, Michigan 48232.

Burroughs

Making outer spac



Lockheed knows how.

Moving fiction closer to fact.

The vision of erecting power plants, factories, and even entire communities in outer space has been moved a step toward reality.

Under a NASA contract, Lockheed is developing new space construction concepts focused on basics like innovative assembly methods and lightweight, strong joints and columns. Some of these 'parts' have already been made.

Large-scale structures might take form as massive power stations with several square miles of solar cells. Or as factories for items that can be better made in zero-gravity conditions. Or as huge antennas, thousands of yards across. Then, space settlements would be needed to house the people who would build, maintain, and operate the other space leviathans.

The first structures would come piecemeal from Earth. But far-thinking scientists believe much raw construction material could eventually be taken from the moon or from asteroids whose orbits swing them near our planet.

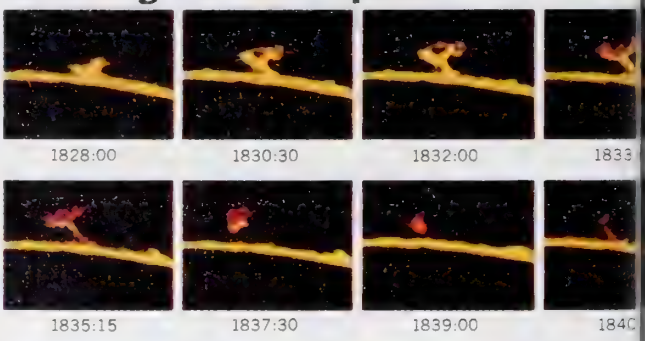
Looking at the origin of the universe.

In 1983, a 43-foot-long telescope system will be slipp into orbit 300 miles above Earth. And man may then lo back 14 billion years to where our universe perhaps beg

The NASA/Lockheed Space Telescope will detect objects 50 times fainter and 7 times deeper into space t those ever before seen. It will lock onto stars, galaxies, other space phenomena with absolute accuracy for as l as 30 to 40 hours. And it will perform ultraviolet and infrared measurements impossible from Earth.

Potential rewards are huge. Scientists may discover new worlds and new energy sources. They may even fir ways to protect Earth's delicate environment in a new uncharted age.

Scouting the sun's uproar.



Tucked into NASA's OSO-8 Orbiting Solar Laborator a Lockheed-developed Mapping X-Ray Heliometer has successfully finished three years of amassing vital data the sun's ever-varying X-ray radiation.

work for man.

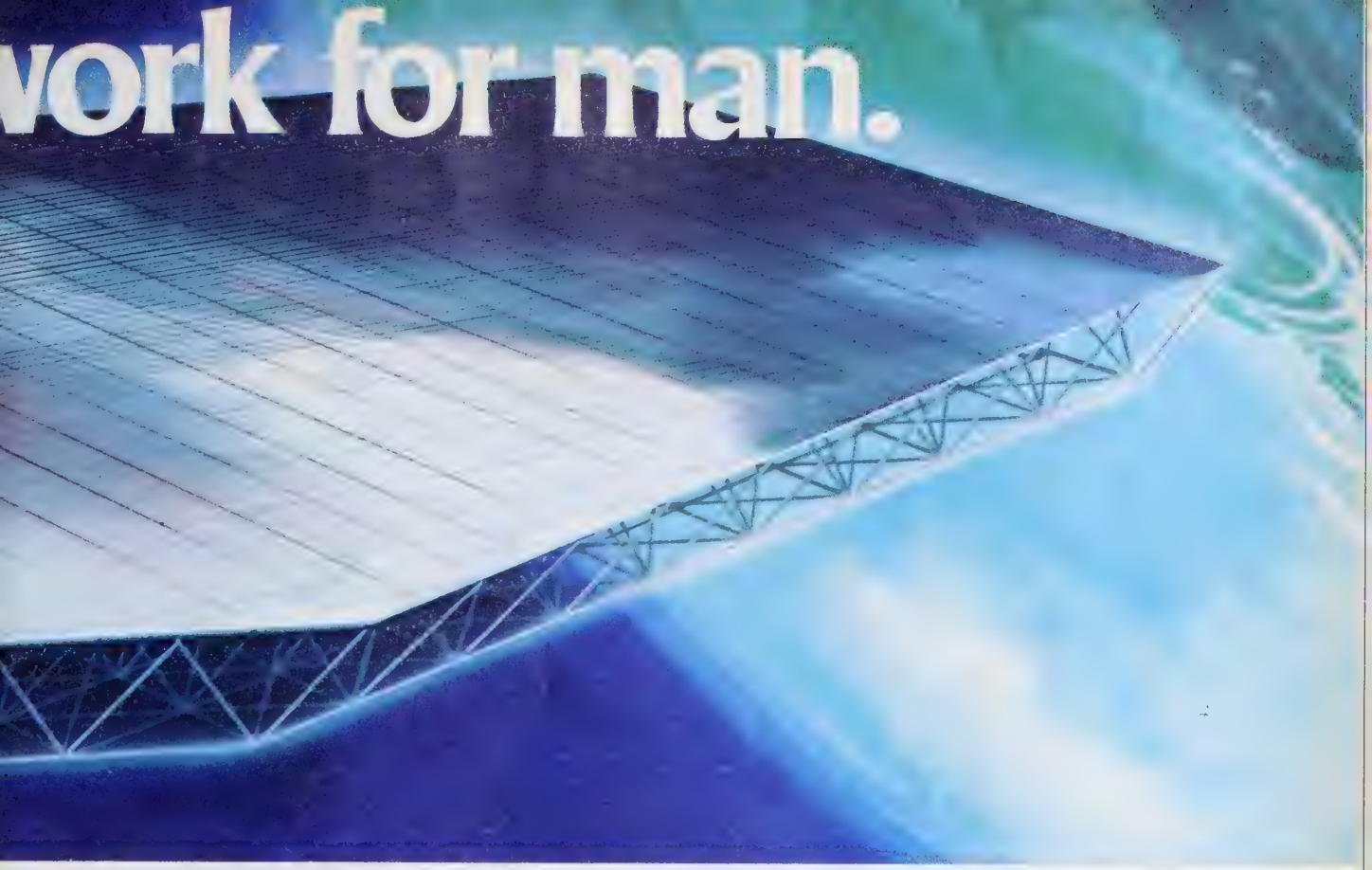


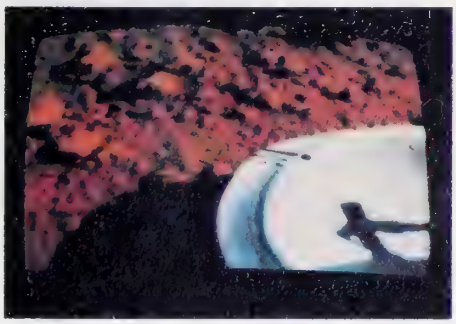
Illustration shows fully automatic assembly machine working on huge outer-space structure as NASA's Space Shuttle stands by.

heliometer was part of the most complete scientific nent payload ever sent up to study solar and cosmic ources. And though planned for only one year's the OSO-8 package operated in its 350-mile-high or better than three years.

heliometer experiment again clearly demonstrated eed's unique capability in independent, basic ch. And the data will probably unveil dramatic acts.

y should set guidelines for better predicting of solar and yield new knowledge of exactly how the sun's emissions affect Earth's weather and climates.

orders that talk from other planets.



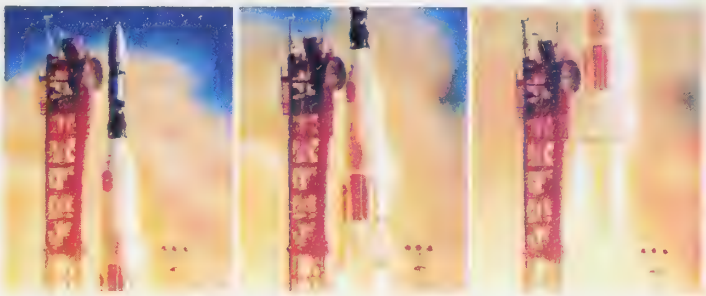
ve now put on Mars, d Venus and close up, and t intimate at Saturn in 80.

cial Lockheed ers, each no or heavier gallon bottle er, help scientists see the outer planets at close range. d within a space vehicle, each recorder can store and it more than a half-billion bits of information. Those s are then turned by Earth-station computers into sharp s and precise scientific data.

Lockheed recorders have flown on all Apollo moon missions, five Mariner space probes, the flights to Mars, Venus, and Jupiter, and are now headed toward Saturn and beyond.

And if the search that far away reveals no life, there's still the rest of the universe.

The unmatched record of achievement.



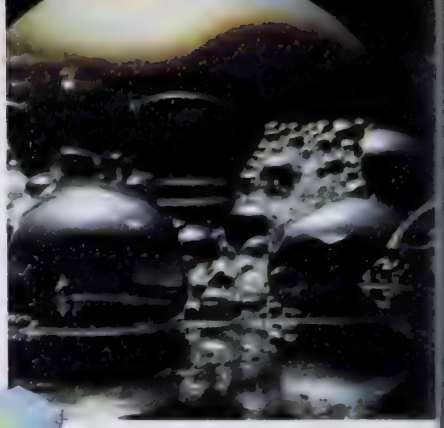
Nothing underscores Lockheed's leading place in space technology better than the record of the Agena spacecraft.

The versatile Agena, veteran of more than 300 flights, can count more successful launches than those made by any other spacecraft, and it has been used on nearly half of all United States space missions.

In making space work for man, Agena is one more proof that Lockheed knows how.

Lockheed

provided the loan that launched S&E Shipping Corporation's new ore carrier, the Kinsman Independent.



analyzes the co position of Do Chemical's shareholde to keep the records u to-date a accura

AmeriTrust. The Bank that

lent the money to Farmland Industries to reap bumper crops throughout the midwest.

rolled out a line of credit for export of truck axle components from Eaton Corporation to an affiliate in Venezuela.

helps Pickands Mather spotlight its cash position with daily computerized updates.

AmeriTrust®

Headquarters: Cleveland, Ohio

Making things happen in MidAmerica.

Oil and gas companies

al ues l)	Reserves oil*† (mil bbls)	Reserves gas*† (bil cu ft)	Reserves coal* (mil tons)	Oil and gas companies	Market price as % of appraised net worth	Appraised net worth per share*	Recent market price	52-week price range	Price/ earnings ratio	Average growth in cash earnings (7-yr average)‡	Current yield
010	54[a]	126[a]	—	Natomas	67%	$ 48.44[d]	32¾	46¼–20¼	6	21%	4.0%
214	23	179	—	Noble Affiliates	164	19.10**	31¼	41¼–16⅜	20	29	0.5
37	10[a]	69[a]	14[a]	Patrick Petroleum	64	20.95	13⅜	25½–10	—	23	none
55	17[a]	121[a]	—	Petro-Lewis Corp	124	12.80	15⅞	25¼– 8⅞	10	32	14.0
30	3	163	—	Phoenix Resources	84	28.85	24¼	29⅞–18½	20	27[cg]	none
159	20	338	—	Pogo Producing	88	19.85**	17⅜	27 –13⅝	10	54	2.5
4	1	19	—	Premier Resources	86	4.35	3¾	6¾– 2½	31	11	none
260	10	37	29	Reading & Bates	104	31.55	32¾	43⅜–13⅜	11	16	2.4
84	20[a]	219[a]	50	Sabine Corp	89	57.45	51⅜	71½–29½	24	21	1.1
256	127[a]	1,284[a]	—	Southland Royalty	77	66.15	51	76 –30	22	39	1.6
085	157	2,000	—	Superior Oil	106	128.15**	135¾	177 –73	14	24	0.5
51	7	447	—	Supron Energy	87	47.10	40¾	54¼–21¼	25	40	0.6
114	6[a]	38[a]	—	Texas American Oil	133	6.40**	8½	13⅜– 5⅞	15	33	0.6
84	8	82	—	Texas International	88	19.40	17	24⅛–10¾	—	–1	none
399	54	1,011	—	Texas Oil & Gas	98	36.50	35⅞	46⅝–18	14	38	0.9
58	5	14	75	Tipperary Corp	104	15.83	16½	23¼– 8¾	21	32	none
14	5	12	17	Triton Oil & Gas	68	23.15	15¾	24⅝– 5⅜	—	1	none
26	2	47	—	Universal Resources	66	29.80	19¾	27½–13⅝	13	36	1.6
25	2	260	—	Wainoco Oil	98	22.30	21¾	37⅞– 9	34	38	0.6
40	9	92	—	Wiser Oil	78	127.60	99	132 –51	12	17	3.6
43	4	117	—	Woods Petroleum	109	15.45	16⅞	23¾–13⅛	16	26	none
34	4[a]	52[a]	—	Worldwide Energy	109	12.25	13⅜	24 – 6⅝	28	39	none
				Gas transmission							
290	19[a]	1,283[a]	165[a]	Coastal Corp	41	40.25**	16⅜	37⅜–14¾	3	19	2.4
238	56	463	1,588	ENSERCH Corp	64	41.95	26¾	34⅜–19⅝	9	10	5.8
798	5[a]	422[a]	218[a]	Houston Natural Gas	90	40.25	36¼	49½–26¼	8	25	3.6
335	21	619	—	Mountain Fuel Supply	81	37.05	30	39½–24½	9	7	7.9
732	5	179	—	Pioneer Corp	123	30.85	38	49⅛–16½	11	27	3.7
492	7	101	—	Southern Natural Resources	120	39.05	47	61⅞–34⅛	9	12	3.2
200	261[a]	3,335[a]	—	Tenneco Inc	72	45.55**	33	45½–30¼	6	12	7.3
528	19[a]	401[a]	—	Transco Cos	94	40.60**	38⅜	55½–23	13	14	3.8
				Foreign[i]							
44	126	722	68	Aquitaine Canada	60	77.00[h]	45⅞	68⅜–28⅜	30	17	1.0
71	29	1	—	Asamera Oil	86	22.85	19⅞	32⅝–15⅞	15	24	2.0
76	47	630	32	Bow Valley Industries	74	57.65	42⅜	66 –25¼	35	39	0.2
63	80	1,063	75	BP Canada	107	39.30**	42⅛	57 –22⅛[l]	14	11	2.4
12	11	873	—	Canadian Homestead Oil	80	24.65	19⅝	35⅛–13⅛	43	23	none
26	5	314	—	Canadian Occidental Pete	81	15.15	12¼	17⅛– 8⅜	16	20	2.3
46	—	262	—	Chieftain Development	48	52.00[h]	24⅞	46 –18⅜	46	36	none
945	128	1,962	—	Dome Petroleum	123	49.00[h]	60⅛	86¾–31	15	46	none
957	576	2,700	—	Gulf Canada	101	128.00[h]	129¼	198⅞–46⅛	21	17	1.2
483	313	3,400	—	Hudson's Bay Oil & Gas	52	214.10	111¼	157⅞–57⅝	16	23	2.1
053	126	345	—	Husky Oil	87	91.45	79¾	108 –52½	9	18	1.3
523	1,286	5,554	580	Imperial Oil	58	68.00[h]	39¼	59⅝–27¼	11	12	3.6
387	129[a]	1,145[a]	—	Norcen Energy Resources	67	47.43**	31¾	40 –19½	10	19	3.1
16	1	663	—	North Canadian Oils	37	40.60	15	29¼–11¼	12	13	none
20	12	146	—	Numac Oil & Gas	58	52.00[h]	30	54¼–25⅜	33	27	0.7
36	8	1,035	—	Ocelot Industries	77	34.20	26½	39 –23⅝	7	46[g]	none
424	145[a]	3,174[a]	1,854[a]	PanCanadian Petroleum	120	58.70**	70½	80 –46⅝	11	30	4.3
764	121	739	—	Petrofina Canada	43	108.80	46⅝	59½–45 [l]	8	19	3.4
44	22	152	180	Scurry-Rainbow Oil	117	67.80	79⅝	110⅜–30⅝	16	27	none
483	340	5,600	2,000	Shell Canada	101	32.35**	32¾	41¾–18¼	11	18	2.4
42	10[a]	81[a]	60	Teck Corp	179	9.65**	17¼	26 – 5⅞	6	64	none
585	540	1,933	—	Texaco Canada	69	112.35	77	96 –56⅝	8	11	2.6
911[k]	33	265	—	Total Petroleum (NA)	44	57.00[h]	25¼	37⅝–19⅛	12	23	1.3
03	100[a]	621[a]	—	Union Oil Canada	57	64.35	36⅞	53¼–32¼[l]	28	8	1.1
9	4[a]	59[a]	—	United Canso Oil & Gas	70	23.15**	16¼	27⅝– 9⅝[l]	—	6	none
32	8[a]	345[a]	—	West Coast Petroleum	51	45.00**	23	36⅝–15⅞	17	20	none

ures supplied by *Oil Industry Comparative Appraisals*, John S. Herold, Inc., except where otherwise indicated †Oil: total oil, condensate and gas liquids reserves North American reserves only. ‡Cash earnings; net income, depreciation and deferred taxes. **Appraisals calculated in or before July 1979. [d]Company figures, [h]Revenues of Royal Dutch Shell Group. [c]Not calculated on a per-share basis. [i]Company figures, oil and gas reserves only. [e]Excluding foreign reserves. [f]This was split off from Mesa Petroleum in November 1979. [g]Less than seven years data. [h]Estimates by David Snow, A.G. Becker, excluding frontier resources range only. [i]Canadian dollars except where otherwise noted. [k]U.S. dollars [l]E.F. Hutton

Coal companies

Total revenues (mil)	Recoverable coal reserves (mil tons)	Coal companies	Market price as % of asset valuation per share	Asset valuation per share	Recent market price	52-week price range	Price/ earnings ratio	Growth in earnings (7-year average)	Curr yie
$ 860	769	Eastern Gas & Fuel Assoc	50%	$37	18⅛	26½–15¾	8	60%	5.
1,648	1,700	Pittston	44	48	21¼	30⅜–17⅝	15	68	5.
385	1,248[a]	Westmoreland Coal	46	45	20¾	37½–19	NM	98	non

[a] Includes leased property. NM: Not meaningful.

Forest products companies

Total revenues (mil)	Acres*† (mil)	Timber† (mil cu ft)	Forest products companies	Market price as % of appraised net worth per share	Appraised net worth of timber per share†‡	Recent market price	52-week price range	Price/ earnings ratio	Growth in earnings (7-year average)	Curre yiel
$2,917	2.75	2,900	Boise Cascade	54%	$ 56	30⅛	42½–27	5	15.6%	5.
3,250	1.5	2,900	Burlington Northern	54	104	55¾	80¾–43¾	4	28.3	3.
3,751	3.0	3,300	Champion International	65	34	22	28¾–20¼	5	24.9	6.
445	0.65	550	Consolidated Papers	164	31	25⅜	32⅛–25⅛	5	27.9	7.
4,370	1.2	1,150	Continental Group	122	21	25¾	32¾–25¼	5	14.1	9.
2,804	2.0	4,100	Crown Zellerbach	33	108	35⅞	54⅝–32¾	7	7.6	5.
1,283	1.45	1,650	Diamond International	71	40	28½	47½–28¾	6	6.1	7.
419	0.25	250	Federal Paper Board	161	15	24⅛	35 –20⅞	7	23.1	4.
5,207	4.5	5,900	Georgia-Pacific	73	33	24¼	34⅞–21½	8	12.9	4.
1,158	2.15	2,650	Great Northern Nekoosa	100	31	30⅞	40⅜–27¾	5	29.3	5.
4,530	8.4	9,000	International Paper	32	100	32⅜	47⅝–30½	4	29.9	7.
2,218	0.85	650	Kimberly-Clark	282	14	39½	48½–39½	6	30.3	8.
335	0.4	1,400	Longview Fibre	26	103	27	38 –25	8	9.5	4.
1,302	0.9	1,500	Louisiana-Pacific	43	48	20⅞	29½–18½	6	28.5	2.
2,570	1.1	1,000	Mead	112	19	21¼	29¾–19⅝	4	25.3	8.
148	0.09	200	Medford	43	81	35	54 –26½	8	30.0	2.
258	0.17	1,200	Pacific Lumber	29	155	44⅞	57 –40½	11	17.7	5.
176	0.13	400	Pope & Talbot	28	52	14½	22 –14¼	4	22.9	non
809	1.3	2,350	Potlatch	47	68	31¾	39 –30	7	14.5	4.
2,533	3.1	3,900	St Regis	56	49	27½	34⅞–26¼	6	19.4	7.
1,908	2.95	2,900	Scott Paper	57	28	16	22⅛–14¾	5	18.5	6.
778	0.45	400	Southwest Forest Inds	55	23	12⅝	24 –11½	4	63.7	3.
1,389	1.7	1,800	Union Camp	103	38	39⅜	50⅞–37¾	6	19.2	6.
1,224	1.2	1,150	Westvaco	104	29	30⅛	38¾–26¾	6	14.3	5.
4,423	5.9	11,500	Weyerhaeuser	36	81	29½	37⅝–26½	7	10.2	4.
864	0.55	850	Willamette Industries	66	42	27⅝	42¼–26⅝	6	13.1	5.

*North American timberland, in fee owned, excluding cutting rights. †Figures from William M. Wigder, limited partner, First Manhattan Co. ‡On fully d shares.

Gold companies—N.A.

Total revenues (mil)	Estimated mine life* (years)	North American gold companies	Annual gold output‡ (thousands of ounces)	Working cost per ounce*	Cash dividend paid*	Market price as % of sum of present value per share*	Sum of present value per share @ $500 per ounce*†	Recent market price	52-week price range	Curre yiel
$ 27[a]	32	Agnico-Eagle	72	$113.49	$0.15	64%	$14.56	9⅜	13¾– 5¼	1.4
29[a]	25	Camflo	80	90.30	0.51	40	38.49	15½	25 –15¾[b]	3.2
70[a]	32	Campbell Red Lake	182	56.44	0.66	93	33.52	31¼	39⅞–17	1.6
16[a]	15	Dickenson Mines	60	194.99	0.04	26	39.97	10½	18 –10¼[b]	0.5
31[a]	8	Giant Yellowknife	95	204.75	0.51	43	32.78	14¼	21 – 8⅝	3.6

*Figures from *Inte[illegible] Investor's Viewpoint*. Portland, Ore. †Sum of the present value is an estimate of future earnings at a discount rate of 10% per ye ‡Figures from *Ame[illegible]s Fastest Growing Companies*, John S. Herold, Inc. [a]Canadian dollars. [b]1980 range only.

Want to see the cost of dairy farming go down?

Borg-Warner leases cows to dairy farmers so they can raise their productivity and hold down the cost of producing milk. That's Borg-Warner today. And there's more to come. In eight major markets, Borg-Warner is a company to watch.

BORG WARNER®

Watch Borg-Warner

Gold companies—N.A.

Total revenues (mil)	Estimated mine life* (years)	North American gold companies	Annual gold output† (thousands of ounces)	Working cost per ounce*	Cash dividend paid*	Market price as % of sum of present value per share*	Sum of present value per share @ $500 per ounce*†	Recent market price	52-week price range	Curr yiel
$235	52	Homestake Mining	334	$250.00	$2.00	50%	$88.76	44⅝	65 –31	3.6
9[a]	16	Northair	38	106.41	0.26	29	12.70	3⅝	5⅛ – 2⅞[b]	8.3
58[a]	13	Pamour Porcupine	160	297.50	0.26	38	25.97	9⅞	14⅞ – 9½[b]	4.6
25[a]	12	Sigma	70	160.60	1.11	77	55.88	42⅞	60 –43[b]	3.7

*Figures from *International Investor's Viewpoint*, Portland, Ore. †Sum of the present value is an estimate of future earnings at a discount rate of 10% per ye
‡Figures from *America's Fastest Growing Companies*, John S. Herold, Inc. [a]Canadian dollars. [b]1980 range only

Gold companies—South Africa

December quarter operating profit per ounce*	Estimated mine life* (years)	South African gold stock	Annual gold output† (metric tons)	Working cost per ounce‡	Cash dividends* present	Cash dividends* estimated @ $500 per ounce	Market price as % of sum of present value per share	Sum of present value per share @ $500/oz†**	Recent market price	Curre yiel
$271	7	Blyvooruitzicht (U)	19	$141	$2.48	$3.04	54%	$24.54	13¼	18.7
227	13	Buffelsfontein (U)	26	185	3.97	5.70	46	65.75	30¼	13.1
252	9	Doornfontein	12	160	0.50	2.60	44	29.10	12¾	3.9
349	38	East Driefontein	47	63	2.98	4.46	53	41.95	22⅜	13.
303	11	Free State Geduld (U)	36	141	5.83	10.23	45	114.88	51⅝	11.
172	14	Harmony (U)	32	240	2.11	4.59	45	39.65	17⅞	11.8
271	16	Hartebeestfontein (U)	32	141	7.44	12.71	59	93.81	55	13.5
261	13	Kinross	9	151	1.04	1.74	61	17.43	10⅝	9.8
324	21	Kloof	32	88	1.98	3.91	54	50.22	27⅛	7.3
254	11	Libanon	12	158	1.24	5.39	45	45.61	20½	6.0
295	13	President Brand (U)	31	117	4.46	6.70	52	68.07	35⅛	12.7
247	14	President Steyn (U)	25	165	2.91	5.77	43	78.31	33⅝	8.7
207	16	Randfontein (U)	23	205	8.68	15.44	43	156.21	67	13.0
299	11	St Helena	17	113	4.34	7.38	43	69.55	30	14.5
225	6	Stilfontein (S)	17	187	2.48	3.72	55	26.99	14¼	16.8
251	28	Vaal Reefs	63	161	7.94	11.28	33	153.40	50¼	15.8
203	6	Welkom	11	209	1.67	3.22	74	19.23	14¼	11.7
347	13	West Driefontein (U)	50	65	7.44	17.98	45	146.73	66¼	11.2
199	15	Western Areas	20	213	0.87	1.43	43	17.30	7½	11.0
320	20	Western Deep Levels (U)	50	92	5.58	6.26	46	74.55	34⅝	16.1
302	8	Western Holdings	30	110	9.30	15.19	57	109.42	62½	14.9
311	16	Winkelhaak	15	101	3.10	5.02	54	45.01	24½	12.7

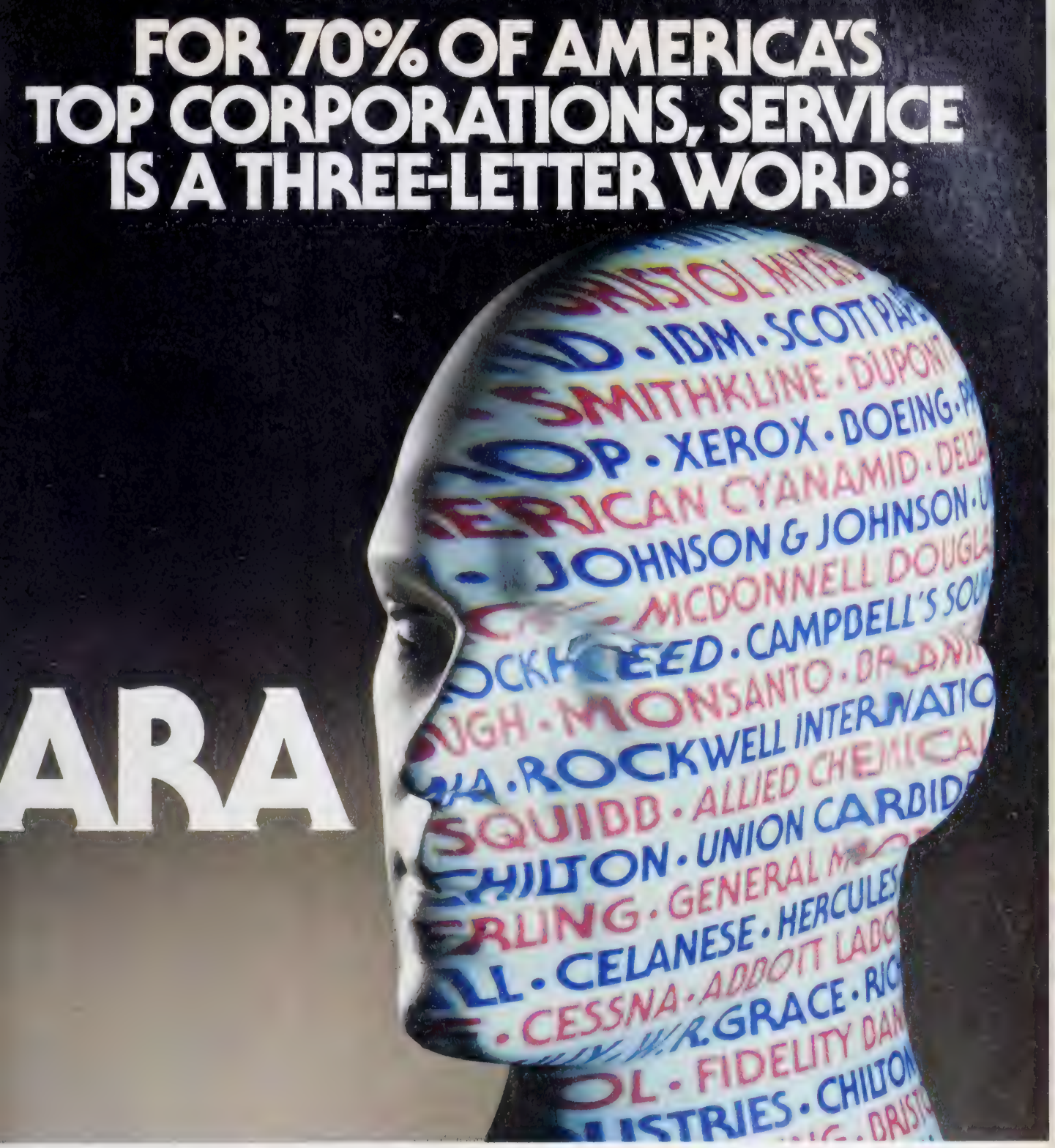
*Figures from *America's Fastest Growing Companies*, John S. Herold, Inc. †Figures from *International Investor's Viewpoint*, Portland, Ore. ‡Figures fr
Carr, Sebag & Co., London, April 1980. **The sum of the present value is an estimate of future earnings in U.S. dollars, at a discount rate of 10% per y
U: Significant uranium. S: State-assisted

Silver companies

Total revenues (mil)	Estimated recoverable silver (thousand ounces*‡)	Silver companies	Market price as % of estimated reserve value per share	Estimated reserve value per share*†**	Recent market price	52-week price range	Price earnings ratio	Growth in earnings (7-year average)	Current yield
$ 0.6	1,134	Big Creek Apex	146%	$ 3.42	5	7 — 3½	36	144%[bd]	2[e]
65.7	13,333	Callahan Mining	286	9.13[a]	26⅛	36½ — 10¼	8	71	none
8.8	10,368	Coeur d'Alene Mines	119	13.43[a]	16	27 —11⅛	18	NM	none
29.4	16,716	Day Mines	91	26.99	24½	44¼ — 11¼	7	168[b]	3.1
510.0	[illegible]	Gulf Resources & Chemical	148	16.25	24⅛	37⅞—11½	17	64	1.3
63.7	19,984	Hecla Mining	164	16.90	27¾	53½ — 9⅛	8	413[c]	none
4.3	2,991	Silver Dollar Mining	146	8.38	12¼	19 — 4½	12	17.3[d]	1.4
1.7	2,518	Silver Syndicate	111	5.41	6	8 — 3	23	153[bd]	none
0.7	848	Sunshine Consolidated	121	3.09	3¾	5¼— 2	NM	NM	none
23.6	90,134	Sunshine Mining	47	26.50[a]	12½	16½— 5⅛	15	65	3.2

*Provided by Willamette M[illegible] Associates, Inc., Portland, Ore. †Based on shares outstanding December 1978. ‡Assumes 90% recovery rate on ye
end 1978 reserves. **Assu[illegible] silver in first year, increasing at 1[illegible]% per year compounded. [a]Adjusted for stock split or stock dividend. [b]L
than seven years' data. [c]197[illegible] calculated on per share basis. NM: Not meaningful.

FOR 70% OF AMERICA'S TOP CORPORATIONS, SERVICE IS A THREE-LETTER WORD:



As America's leading supplier of services, ARA is the overwhelming choice of the nation's leading corporations.

From executive dining rooms in Manhattan to plant cafeterias in Seattle, ARA's Food Service Company alone serves 375 of the Fortune 500 industrial companies—as well as 350 of Forbes 500 largest corporations. In all, ARA serves over 12,000 industrial and commercial clients.

But even though ARA food service has tackled such formidable tasks as serving the Lake Placid Olympics and the Alaska pipeline, it's only one facet of ARA's total capabilities. Every day, ARA service management experts operate or maintain over 17,000 commercial and municipal vehicles, transport over 550,000 children to school, supply over 195,000 rental uniforms, distribute more than 1 million periodicals, and manage some 260 nursing homes.

In every state of the union and in foreign countries, ARA provides basic personal services that can not be postponed or stockpiled. And does it better than anyone else.

- Food and Refreshment Services
- Distributive Services
- Health Care Services
- Textile Rental and Maintenance Services
- Transportation Services

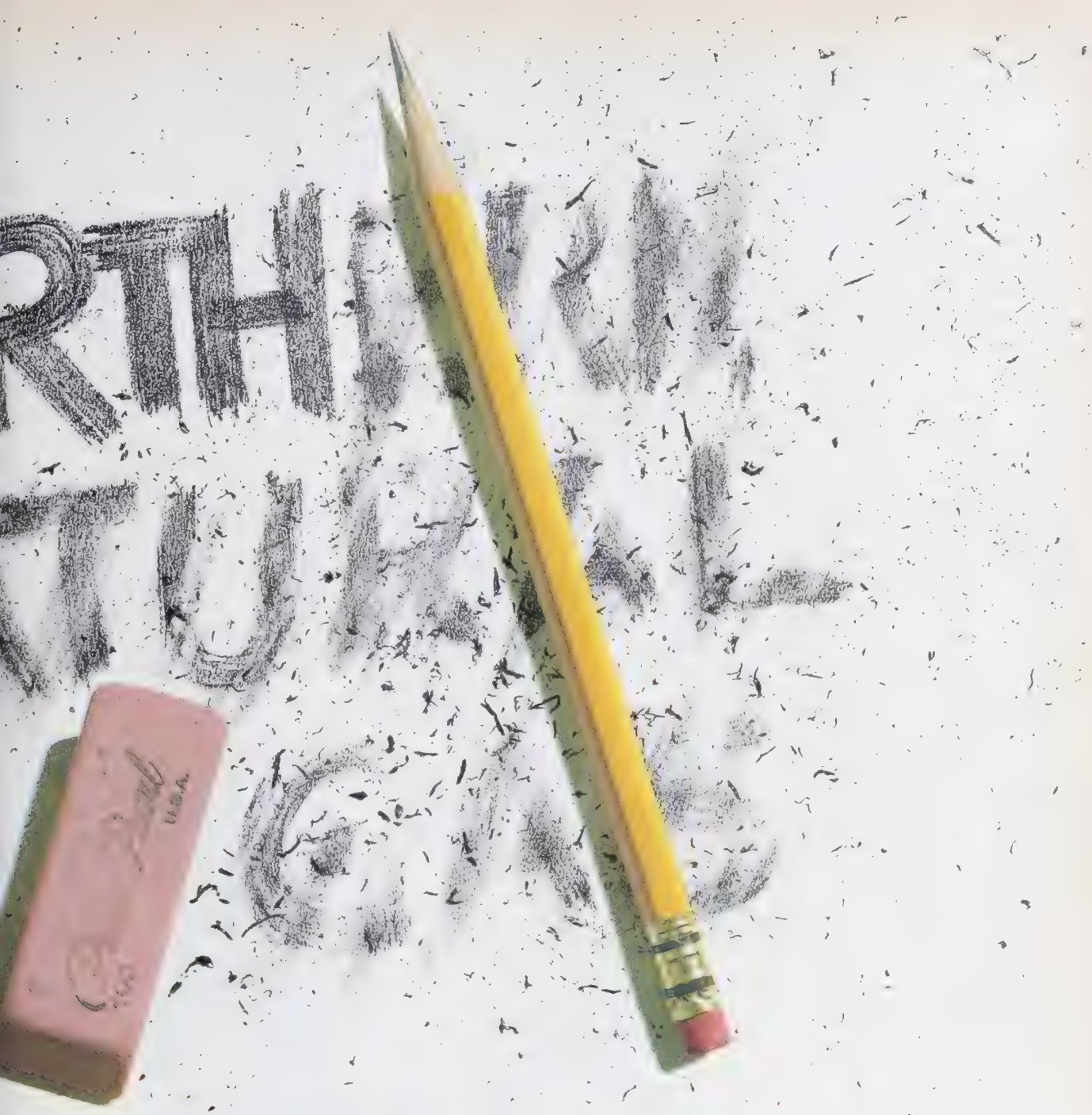
ARA

BECAUSE THE WORLD WILL NEVER OUTGROW ITS NEED FOR SERVICE.

For more information write:
ARA Services, Inc.
Independence Square
Philadelphia, PA 19106

INTERN

We outgrew our name. Northern Natural Gas C
pany has changed its corporate name to InterNorth
some very good reasons. Our old name implied
were in the natural gas business only. We're not. W
an energy-based company growing in many direct
— in liquid fuels, petrochemicals, exploration, coal
in our solid base of natural gas. We're not saying g



o Northern Natural Gas Company. We'll keep the
e for our natural gas business.
r five operating companies span a wide spectrum
e energy field, meeting the new demands of a
ging and challenging time. That's why we chose a
name that fits. And a new ticker symbol, INI. And a
stock table abbreviation, IntNrth.

NTERNORTH

n Natural Gas Company • Northern Liquid Fuels Company
n Petrochemical Company • Nortex Gas & Oil Company
n Coal Company • Home Office: Omaha, Nebraska

WHEN YOU WANT A BANK THAT CAN PUT TOGETHER MONEY FOR MAJOR PROJECTS

OUR SOLUTION:

In major capital investment every project is unique, every loan tailor-made.

So, project financing at Bank of Montreal involves tailoring our services to meet your special needs. Finding solutions attractive to both lenders *and* sponsors.

That's why our Project Financing Group is organized into *teams* with direct access to major decision-making authority.

When you call us, you call direct.

MAJOR INVESTMENTS WORLDWIDE

Some examples: Last year Bank of Montreal, together with Bank of America and Manufacturers Hanover Ltd., helped put together the $660 million (U.S.) needed to back development of the third largest copper mine in the world, Mexico's La Caridad.

- The loan was the largest ever granted a Mexican private sector company.
- Our Mining Services Department supplied the necessary technical expertise.
- This one project will *double* the copper mining capacity of Mexico.

Besides La Caridad, Bank of Montreal last year helped arrange financing for such major private sector projects as a Spanish utility and a steelworks and chemical company in Denmark.

Now, when you want a bank that can fit the solution to the problem (not vice versa), you have our credentials.

THE FIRST CANADIAN BANK

Bank of Montreal was, indeed, the first bank established in Canada, in 1817. And the first to venture outside of Canada, to the U.S. and England, in 1818.

But to us, "first" is more than a date. It's an attitude.

An early branch bank in Mexico.

We intend to live up to the "first" in The First Canadian Bank, worldwide.

o is happy with their stock price today? body. But American Standard's Bill Mar-ard has a sadder tale to tell than most.

A matter of labels

By Steven Flax

OST EXECUTIVES WINCE if you refer to their company as a conglomerate. "Conglomerate" days means 3 or 4 times earnings reputation for dealing rather than ging. However, William A. Mar-d won't wince if you call his Ameri-tandard Inc. a conglomerate. In fact, ther wishes you would, especially that so many building products companies' stocks are in the doghouse.

He doesn't like people thinking of American Standard as a plumbing products company. He is quick to point out that his $2.4 billion (sales) outfit gets less than one-third ($772 million) of its business from its plumbing, bathroom fixtures and other building products. Yet after new housing started crumbling with the credit crunch in January, American Standard's share price tumbled—over 12 points in two weeks this March. At 50 recently, it has recovered somewhat. Even so, the soft-spoken Marquard feels that's evidence enough that many investors still think of the company as too heavily dependent on new housing starts. How else to explain a 5-times-earnings ratio on a company that in recent years has regularly earned better than 20% on stockholders' equity?

can Standard CEO William A. Marquard
the trauma, a formidable international competitor.

The biggest single segment of American Standard's sales volume last year came from transportation products such as air brakes for trucks, freightcars and locomotives, and signal systems for railroads—acquired with Westinghouse Air Brake in 1968. Those products accounted for 41% of revenues and 44% of operating profits; in addition they are in industries—mining and coal hauling for instance—that, whatever their short-term problems, will finally become bonanzas, in Marquard's view. In the long run, he says, emphasizing each word, "Coal must come."

Even right now, American Standard, a classic example during the 1960s of a misguided acquisitor, is looking pretty good. Over the last five years, earnings per share have grown at an annual rate of 30%. Return on equity has more than doubled over the period, to 26% last year. And all of the company's recent growth has been financed with its own money. Not only that, but even American Standard's bathroom and plumbing-product revenues (32% of sales) are relatively well protected. For one thing, only about half of its sales of those products were in the U.S. For another, only half of that—about 8% of total revenue—comes from new housing.

Marquard, a solidly built, 60-year-old graduate of the Wharton School of Finance who keeps in shape with year-round tennis, came to American Standard in 1967 when it acquired Mosler Safe Co., where he was president. He took over the parent company in 1971 when it was struggling to keep afloat under the burden of the massive expansion program carried out in the Sixties. Net margins were sometimes below 1% and the company was barely making a return on its shareholders' investment. "The company had, in fact, spent itself to death," says Alan Zakon of the Boston Consulting Group.

Right away, Marquard began to restructure from top to bottom. "In effect, we deconglomerated," he says, "and then reconsolidated into four worldwide businesses"—building products, transportation equipment, construction and mining equipment, and security and graphic products like Mosler's safes and a group of printing companies. Then each division became a financial "customer" of the corporate staff, charged for its replacement-cost depreciation, use of capital and worldwide LIFO-figured inventories. Says Marquard with understatement:

"There was a fair amount of trauma."

The trauma got results. Since 1975, net margins have about doubled to a highly respectable 5.4%. In return on equity, American Standard now stands in the top five in FORBES' ranking of conglomerates. Last year the company spent $106.5 million on capital improvements and this year it will spend around $140 million—part of a five-year, $800 million program for which every penny will be generated internally; in fact, long-term debt has fallen more than $150 million since 1970, to $193.5 million (compared with just under $550 million in shareholders' equity). Marquard believes there is some improvement left to be made. "We don't think we've reached our maximum in margins," he says. "We're probably pretty close to the peak in return on equity, but we hope to keep it in a range between 20% and 25%."

The company's overseas building products operations once were lax and disorganized. Now they are as stylish and functional as their products. In the mid-Seventies, all European sanitaryware plants were put under one centralized management headquartered in Brussels. This enabled the company to standardize shapes, dimensions and styles throughout Europe. Result: Operating income in foreign building products rose 33%, to $81 million, last year and operating margins rose by 2½ points, to 21%.

To be sure, the U.S. housing market is under a big black cloud, but there may be a silver lining in the still-healthy renovation and remodeling market, estimated at $45 billion this year. With mortgages almost impossible to obtain, more home owners now stay put, repair and remodel—if they can get the money. As Boston Consulting's Zakon sums it up: "American Standard is in an elegant position in building products. They're the largest, both in the U.S. and worldwide, so they have economies of scale and can come in with the lowest price—which is all the contractors are interested in. At the same time, they've got the most competitive designs at the high, price-insensitive end of the market."

"American Standard is in an elegant position in building products. They're the largest, so they can come in with the lowest price—which is all the contractors are interested in. At the same time, they've got the most competitive designs at the high, price-insensitive end of the market."

The company also is the market leader in all of its transportation equipment markets, where it generated $126 million in operating income last yea 35% from 1978, on a 23% increa sales, to a little over $1 billion. Mu that came from building brake sys for the booming freightcar market. a 119,000-car industry backlog, quard thinks production could ru near capacity into 1982.

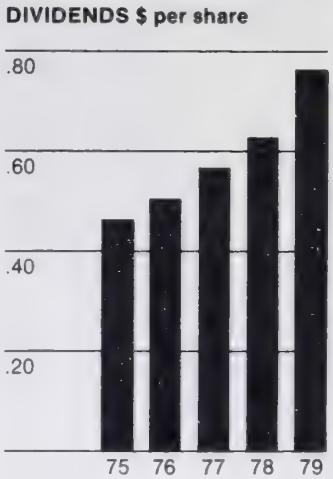
The mining and construction div is another matter. Hit by cost-price sure and slack demand for its big scrapers, 35-to-70-ton trucks and sive 70-to-250-ton off-road vehicles erating income fell 30% last year, t million, on a measly 2.3% increa sales. The biggest reason, of course, the glacial pace of U.S. coal developn but for the three months ending February orders for heavy mining tr were almost double the dollar volur the previous six months.

When coal does finally get accept a substitute for oil, American Star seems ready to take advantage of everything from air brakes to h trucks—while remaining the king bathroom fixtures business. In their et way, Bill Marquard and his staff turned their company into a formid financially powerful, international petitor. It's not a conglomerate in classic sense, but Bill Marquard do mind if you call it one. Anything, as as you don't call it a bathroom fix company. ■

18 consecutive years of dividend growth.

For 18 consecutive years, Barnes Group Inc. has paid a higher dividend in cash or stock than the years before. And for the past 8 years, we have set new sales and earnings records each year. Our published policy has always been to provide shareholders with a good return, and to reinvest for planned growth. The record indicates that we put our policies into practice.

Our two largest segments, Associated Spring, the world's No. 1 springmaker, and Bowman Distribution continue their strong growth; and Globe Distribution, our newest operation, has contributed its expected share. Planned growth from within and without, plus our unique balance of manufacturing and distribution, make Barnes Group Inc. a name to remember.



BARNES GROUP INC

The critical parts

For a copy of our Corporate Profile, write to: Corporate Communications, Department B-1, Barnes Group Inc., Executive Office, Bristol, Connecticut 06010.

Why shouldn't boards of directors expect something more from accounting firms?

The whole idea of a board member's esponsibilities has changed enormous-y in recent years.

Legally, and otherwise.

And considering what's expected of oard members nowadays, why houldn't they demand more from ccountants?

At Deloitte Haskins & Sells, we think he best way to extend a helping hand in he boardroom is to keep you well nformed.

Which is why we go to such lengths o provide board members (and the udit committee, in particular) with reli-able, timely advice.

For example, there's our director's uide to audit committees, a compre-ensive summary of recent develop-ments in committee practices and the egulatory environment.

To say nothing of our booklets on the Foreign Corrupt Practices Act. Our in-formative newsletter, "The Week in Review." Status reports on what's hap-pening at the FASB.

And so much else.

But publications aren't the only way we communicate with you.

In addition, we make specific reports to individual audit committees on just those accounting (or other) issues that we think are significant to the committee members.

Or that they do.

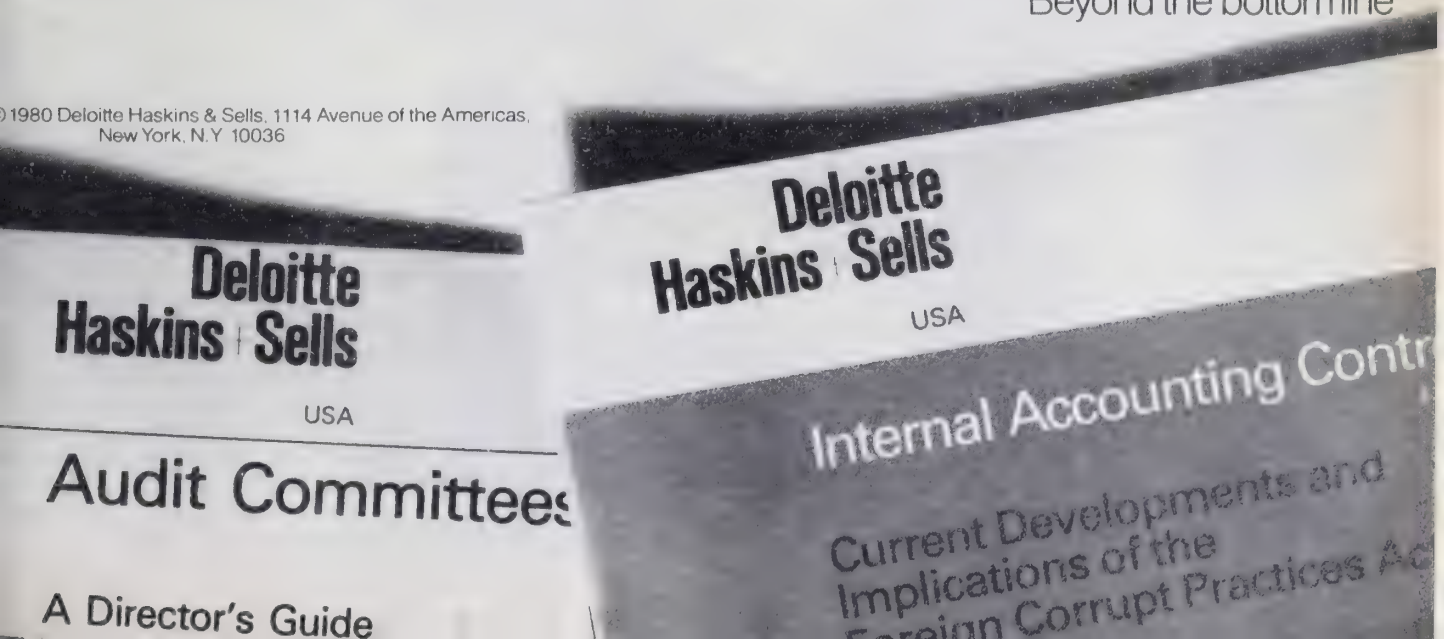
No matter how much experience you've had as a director, what could be more timely than help like this?

These days, it's almost a necessity.

Deloitte Haskins + Sells

Beyond the bottom line™

© 1980 Deloitte Haskins & Sells, 1114 Avenue of the Americas, New York, N.Y. 10036



Germany, with a highly developed economy, has a much lower rate of inflation than the U.S. It also has very little consumer credit. Is there a connection between the two?

In God we trust, all others cash

AN ERA MAY HAVE ENDED in the U.S. Consumer credit, inaugurated in the 1920s to spread a mass market for Detroit's burgeoning auto industry, helped give Americans the world's highest standard of living. But you can have too much of a good thing. By last year, its overuse had become a major contributing cause of accelerating inflation. Spurred on by the Federal Reserve Board, at long last the lenders are cracking down on consumer credit.

A country that has kept inflation under remarkable control is West Germany. Perhaps significantly, it has never permitted consumer borrowing to go to anything like American lengths. For example, there is no such thing as a retail credit card in West Germany. The plastic society is confined to travel and entertainment use and is limited to a small number of persons. One German in 60 has a credit card, *vs.* 1 American in 2. The pattern was decided jointly by the three largest banks—Deutsche Bank, C merzbank and Dresdner—which do labor under the same antimonopol straints as do American banks. N German retailers were happy to go al "In that way they are paid immedia and do not have a percentage disco ed," says Eckart van Hooven, a ma ing director of Deutsche Bank, many's largest.

German stores take eurocheque checklike draft that takes money o your account or kicks off an overdra you don't have a balance. Nearly e customer of a German commercial b savings institution or cooperative b carries a check guarantee card and write eurocheques issued by bank West Germany and in 17 other c tries. This means that most bills are within a day, by check or cash. In p tice only a small number result in u overdraft credit.

Check-kiting and working off the is virtually impossible. Regularly bills, such as rent, insurance premi or telephone, are debited right out o account when due. The state-owned phone company, for example, sup the bank with a computer tape sho who and how much is owed for ser The amount is debited immedia Could Citibank break this patter convincing stores in Germany to ac its Visa card in order to encourage s "They would not succeed," van Ho asserts.

Deutsche Bank credit cards are served for customers who travel o international scale, van Hooven says is a member of the Master Charge g of banks, but its chief credit card is EUROCARD, purchased from the lenberg family, Swedish bankers an dustrialists, in 1975. Master Cha logo is embossed on the reverse sid the EUROCARD plastic rectangle date, DB has issued 125,000 EU CARDS, which, van Hooven says, i most as great as the number Amer Express has issued in Germany.

Congestion of the consumer c markets in the U.S. in recent mo could well be pushing this country c to the German model of restrained Banks charging consumers 12 cent each use of Visa or Master Charge, ing the merchant discount and impo annual fees on individuals and chants for use of the credit facilities bound to dampen credit's popularity.

Does van Hooven have any advic American bankers? "Return to senses: Curb the degeneration of sumer credit and put it back in the h and personal counsel of a banker." C gress and the bankers willing, Volcker would probably like to take advice. But how the customers w yell! It's far easier to get hooked on a habit than to kick it. ■

Deutsche Bank's Eckart van Hooven

Advice for American bankers: "Return to your senses and curb degeneration."

What J&H doesn't know about London, Willis Faber does.

J&H serves more leading multinationals than any other insurance broker. One of the key reasons is our unparalleled record of international cooperation with Willis Faber & Dumas.

While other American brokers still seek a stable relationship in the vital London market, we are entering our 88th year of exclusive association with this esteemed British broker.

The strength of Willis Faber is just one example of the resources J&H can call upon to uncomplicate the most complex international risk management problems.

In addition to having more of our own people overseas than any other broker, J&H can add the global strength of our 71-office network of exclusive broker correspondents.

Now you know why 30 of the top 100 companies have J&H as their principal international broker. And another 15 have us on the team. And why J&H serves nearly 30 percent of the rest of the Fortune 500.

The way J&H works makes a world of difference.

Johnson & Higgins

The private insurance broker. We answer only to you.

RISK AND INSURANCE MANAGEMENT SERVICES, EMPLOYEE BENEFIT AND ACTUARIAL CONSULTING THROUGHOUT THE WORLD

Report from GTE.

Our Yellow
a £375

Pages just got million boost.

e're going to sell Yellow Pages advertising lephone directories in London and east England.

e largest single contract our Directory pany has ever received, this represents nly 40% of all directory advertising in Britain.

the end of the six-year contract, we will handled directory sales of over £375 million ($776,000,000) for the publisher, the British Post Office.

So if you're looking for a costermonger in Canterbury or an Estate Agent in Tunbridge Wells, our ads will help you find them.

Yellow Pages around the world.

We're no strangers to phone directories. We've published them for nearly fifty years. Currently, we produce re than 900 different ones, for GTE and telephone companies in North America. y nothing of other directories in Latin rica, the Caribbean, Asia and Australia.

tims of success.

the telephone has become a universal ument, the phone book has often become eldy, a victim of its own success.

help simplify things, we have begun to ice a variety of special purpose directories.

Special books for special needs.

We publish a fast-increasing number of Neighborhood Phone Books. They're like the regular directories, but cover only segments of the territories the big books do. They're handy for users and advertisers alike, since they do away with much unneeded coverage, on a neighborhood basis.

Another growing field is our Commercial Industrial Directory. These books gather commercial listings from all over a trading region, into a single business directory. In a single source, each book lists what otherwise can take several phone books to find. It's a business-to-business Yellow Pages.

A lot more than phone books.

Over 27,000,000 people in the U.S. and Canada are served by one of the GTE telephone companies. Other millions know us for lighting products, precision materials and electronic products and systems.

GTE is telecommunications. And a great deal more.

GTE

One Stamford Forum, Stamford, Connecticut 06904.

Every day, we help America save more energy than it takes to light New York.

More than enough for every bulb, neon sign, streetlamp and fluorescent light New York City burns every day.

And that doesn't include *all* the energy Combustion Engineering helps save.

Only the fuel saved by the Ljungstrom® heat exchanger, just *one* of the energy-recovery products from C-E Air Preheater.

Installed on a steam generator or process furnace, the Ljungstrom captures heat energy that would be lost through the smokestack and sends it back to work.

With the Ljungstrom, a utility, refinery or process plant uses up to 25% less fuel. In fact, over the past five years, the energy saved by Ljungstrom units around the world equals 150 million tons of coal, 190 million barrels of oil and 1.4 trillion cubic feet of natural gas.

We do more than save fuel.

For more than 65 years, C-E has been supplying systems, equipment, technology and research to help produce the world's energy, conserve it, squeeze more uses from it, and clean up after it.

C-E Power Systems, for example, designed the steam generators that produce 40% of the thermal electric power in those areas of the world where statistics are available.

C-E Natco helps process about 25% of all the oil and ga the world uses every day.

C-E Lummus has created a clean liquid fuel by removin the ash and sulfur from coal.

For more information abo C-E, write Combustion Engineering, Inc., Dept. 7004-120, 900 Long Ridge Road, Stamfor Connecticut, USA 06902.

COMBUSTION ENGINEERING

The Energy Systems Compa

ergy from manure? Power from water hya-
ths? Electricity from worn-out dashboards?
r out, but they scoffed at Edison, too.

Don't curse the darkness, light a candle

By Linda Gasparello

BARTOW, FLA., cowboy Don Bryant looks after 3,000 cattle who are roducing 70 million BTUs of methgas per day—thus replacing about gallons of fuel oil at the Kaplan Inies, Inc. meat packing plant where are being fattened for slaughter. s 23,000 BTUs per cow, or the alent of 1/250th of a barrel of oil. In St. Louis, Miss., by the end of this h, Bill Wolverton will be harvesting 143,000 BTUs per day from what he calls his "energy farm" by growing lavender water hyacinths in sewage.

In Redwood City, Calif., James A. Welty's tiny Pyro Sol, Inc. burns up old automobile seat covers, dashboards and floor mats and uses the heat to produce 13,000 kilowatts of electricity a day from an ancient World War II Navy surplus generator. In Hawaii, Dr. John L. Colp, a Sandia National Laboratories scientist, is punching holes in the floor of Kilauea volcano to help someone, someday, drill the deepest well of them all into the biggest nonnuclear source of energy on earth, the molten rock under the earth's crust. In southern Washington, the biggest windmill of them all—300 feet from tip to tip—is rising like some prehistoric monster over the Columbia River.

They all go under the rubric of "alternative energy," but some have more in common with Rube Goldberg than Exxon. Privately financed, sometimes on a shoestring, or funded by the government, each is a triumph of ingenuity that makes energy out of something that nobody gave much thought to before imported oil got to $30 a barrel and gasoline to $1.50 a gallon.

Take energy from cows, for example. Cowboy Bryant's 3,000 cattle are fed a high-quality diet of corn laced with minerals. They stand on a slotted concrete floor through which their manure falls into a big concrete tank. Each ton produces 820 cubic feet of methane. The gas is piped to a nearby boiler and used to produce hot water and heating steam, replacing 400 gallons of fuel oil a day and saving the meat packing company $65,700 a year in fuel costs. In three months, it will also be producing 10,000 kilowatt hours of electricity daily for the city of Bartow. The project, operated by the Hamilton Standard division of United Technologies and funded by the Department of Energy, is designed to process waste from 10,000 cattle and to yield 200 million BTUs of energy a day,

y St. Louis, Miss. Bill Wolverton's pet gator Wally frolics by the water hyacinths that are being used to treat sewage.
s "eat" impurities from 11 acres of sewage, then are turned into energy and fertilizer.

Wolverton examines hyacinth "biomass"
Plants are dried in a greenhouse.

or the equivalent of 35 barrels of oil.

Bill Wolverton's Mississippi energy farm is a little more complicated. Sponsored by NASA, the project pipes sewage into 11 acres of lagoons, and sows it with water hyacinths. Wolverton harvests about 7,000 pounds of "biomass" a month that will ferment into 1,225 cubic feet of methane. Wolverton, a NASA scientist, is working on a refinement now to recycle what's left of the sewage into fertilizer. "It's so beautifully simple and closed," he says. "You digest the plants to produce methane and the rest of it goes back as fertilizer to help grow more plants." The water-hyacinth process is also being used to treat sewage in a municipal sewage plant in Hercules, Calif., north of San Francisco, and at several sites in Florida, including Disney World. By next year the city of San Diego will be running an electrical generator off its hyacinth methane.

Pyro Sol's Welty got the idea for his energy-from-old-cars plant in the Sixties, and built his first plant in 1978 with information from the Bureau of Mines. For six months last year, it produced 1,650 kilowatts of electricity an hour. In January, he shut it down and is now rebuilding it to be twice as big. The plant uses scrap lumber, coconut shells—"anything with a carbon base"—but its major feedstock is the 20% of the average automobile that is nonmetallic. Welty gets it free from a nearby automobile "shredder" (it would cost the wrecking yard $7 to $12 a ton to get rid of it otherwise) and last year his plant processed about 50 tons a day—all the wrecking yard could produce. Each ton produced 525 kilowatt-hours of electricity, which Welty sold to Pacific Gas & Electric Co. When his expanded plant opens in October, Welty says, it will supply electricity to 5,100 homes year-round, and the $3.5 million capital cost will be repaid o cash flow in about seven years.

Perhaps the most intriguing t about Welty's operation and many ot is this: They produce a synergy, ins of a conflict, between energy and environment. Instead of being an aff to the eye and a threat to the purit land and water, the waste becom source of energy. For example, the Angeles Bureau of Sanitation now duces about 4 million cubic feet of di er gas (which is about 60% methar day from sewage, enough to power treatment plant with a little left ove sale to the city water department. Angeles also has turned its vast exis landfill garbage dumps into natural fields by drilling 14 wells to tap the n rally produced methane under the su and pumping it out at about 1 bil cubic feet a year. The system will su enough electricity to power 6 homes. The city is also building a $ million plant designed to make solid out of the sewage residue now left after the methane is extracted. The sult: By 1985 Los Angeles will dumping sewage sludge in the ocean

Methane can be produced by pract ly any decomposing material, anima plant. One source with potential is weed, which now grows naturally the shorelines of coastal areas and is basis of a small industry produ

ALLERGAN Pharmaceuticals, Inc.

has merged with a wholly-owned subsidiary of

SmithKline Corporation

We acted as financial advisor to Allergan Pharmaceuticals, Inc. and assisted in the negotiations.

Merrill Lynch White Weld Capital Markets Group
Merrill Lynch, Pierce, Fenner & Smith Incorporated

Forstmann Little & Co.

April 15, 1980

We've been making the same point for as long as we've been making airplanes.

1947 Beech Aircraft Ad

1954 Beech Aircraft Ad

We've been making our point to business people around the world for almost five decades.

Over thirty years ago, we were running ads like the ones above: "Beechcrafts Help Executives Break Through the Time Barrier" and "The Beechcraft Bonanza Serves Business Around the Clock, Around the Year."

WE ARE STILL MAKING THE SAME POINT TODAY.

The point is this: a Beechcraft company airplane is an efficient, effective and economical way to solve business travel problems, and in turn, to solve many time management and communications problems.

This was true when Walter Beech built the first business airplane. It is even more true today.

Rising fuel costs, airline deregulation, the 55 mph highway speed limit and diminishing service in all modes of public transportation are recent factors in the history of Beechcraft business airplanes.

These factors don't change our message. They just make it more important to business and governments around the world.

Over the years, we've told this simple story a hundred different ways, in dozens of languages. And we've met with our share of success. Because the basic truth has always been the same.

SEND FOR YOUR FREE MANAGEMENT GUIDE TO BUSINESS AVIATION IN THE '80'S.

Write us on your company letterhead, and we'll send you everything you need to decide whether your company can profitably use a Beechcraft. And which Beechcraft suits you best. Write to: Beech Aircraft Corporation, Dept. K 13, Wichita, Kansas 67201, and please mention if you're a pilot. If you'd rather call, call collect and ask for Dick Schowalter, Jr. (316) 681-7072.

Beechcraft AVIATION CENTER

Member of General Aviation Manufacturers Association

$400

$350

$300

$250

$200

$150

$100

There's hills in that there gold.

For the last two years, gold has been about as close as you can get to a sure thing.

Even so, its path to $400 an ounce didn't always follow the straight and narrow.

There were plenty of peaks and valleys along the way. And, unless you knew exactly what you were doing, you didn't necessarily make money.

There were many, for instance, who sold when gold met its first resistance at $300. And then watched empty handed as the prices soared over $400.

We're Premex, the precious metals specialists. And our clients weren't at all surprised when gold hit $400 an ounce. We had told them all along that it would.

What will gold do next? Is it still a solid investment? Or have silver, copper or platinum taken its place? No one knows for sure, of course. But with our contacts in the world's major money centers, and the experience of our experts here in the States, few know precious metals better than we.

If you'd like to share the benefits of our expertise, get in touch with a Premex account executive.

Before precious metals make another move without you.

Gentlemen: Please send me a copy of your informative precious metals investment guide.

NAME _____

ADDRESS _____

CITY _____ STATE _____ ZIP _____

HOME PHONE _____ BUSINESS PHONE _____

THE NEW **PREMEX** BLUE CHIP

Call toll free 800-854-2222 or in Calif. 800-532-3776

7670 Opportunity Road, San Diego, Calif. 92111, Dept. 7

chemical additives for food products ketchup, beer and ice cream. But na kelp beds supply only something 120,000 to 150,000 tons a year—i nificant for the production of en What if you could grow millions of t year further out on the vast stretch the ocean floor? In a project sponsor Chicago's Gas Research Institute, eral Electric's reentry systems divisi trying to do that by sowing kelp quarter-acre test farm five miles of coast of Laguna Beach, Calif. "A nomical numbers sometimes are thr around for the potential of kelp," say engineer Alan N. Tompkins, "but fact is that there's plenty of o space available. We intend to find what the economic and technolo barriers are."

What is John Colp doing scraml around Kilauea volcano in Hawaii? ing "superalloys" that could withs the 2,000-degree temperatures fou

What's intriguing is that th operations produce a sy gy, not a conflict, between ergy and the environment.

eight miles down into the earth, w enough heat is stored to meet all energy needs for the next 800 years "It's long term, high risk, full of knowns and at least 20 years out," Colp. But he and his fellow Sandia s tists aren't the only ones looking fo ergy sources deep underground. Fo last three years scientists from the ernment's Los Alamos, N.M. labo ries have drilled shafts down to about two miles below the surface are hot but not molten, pouring down the shaft and using the steam comes back up to generate electricit

Boeing Engineering and Constru Co. is building the MOD-2, the w biggest windmill, on a hilltop bank Columbia River about 150 miles ea Portland, Ore. Fourth in a series of wind generators developed by the E Department and NASA, it and two MOD-2s will be tied into the Bonne Power Administration network by Their electrical capacity will be a 7,500 kilowatts, the equivalent of 1 barrels of oil, or enough energy to su 2,000 homes.

None of these are miracle fixe what is probably the chief econ problem of our generation. But knows? Some of them may work— are working now. While the Naders and Teddy Kennedys run a blaming the oil industry for the e mess, the U.S. free enterprise sys with—let's admit it—a helping from the government, is quietly tac the problem. ■

TO INSURE OR NOT TO INSURE

THAT IS THE QUESTION OF THE 80'S.

SELF-INSURANCE CAN ENERATE SIGNIFICANT EMPLOYEE BENEFIT COST SAVINGS, AND IMPROVE EMPLOYEE RELATIONS.

mployee benefits are expensive.

Today, on the average, employee enefits add up to more than 30% of otal payroll costs. Doesn't it make ense to do everything possible to ontrol those costs? Self-insurance of mployee benefits, with adequate atastrophe protection and custom degned claim service, can be the answer.

Cash flow improves.

Because claims are paid over an exended period of time, rather than the p-front payments of premiums, you an put cash to work for you instead f for an insurance company.

A very wide range of services is available.

The James Employee Benefit Speialists provide a wide variety of selfsurance employee benefit services cluding consultation for all forms of lans, by means of James in-house xperts encompassing actuarial and ension plan technicians.

Efficiency, error reduction and cost control are built in.

The Employee Benefits Administration Services, a special feature of the James service, assigns a special unit to handle all claims for each particular account. Completed claims are processed within 48 hours, instead of the usual one to three weeks. Administrative charges are based on a head count and not related to inflated claims cost.

Two key considerations.

Because all accounting and statistical data for the best claims control are extracted during claims processing, frequent reports covering trends, costs, utilization and adequacy are available to you.

James' broad experience makes us experts at determining the level at which commercial coverage is necessary to protect you from catastrophic losses. And because of our leadership position in self-insurance, we know which sources will provide the most advantageous rates for you.

A James review will answer your questions.

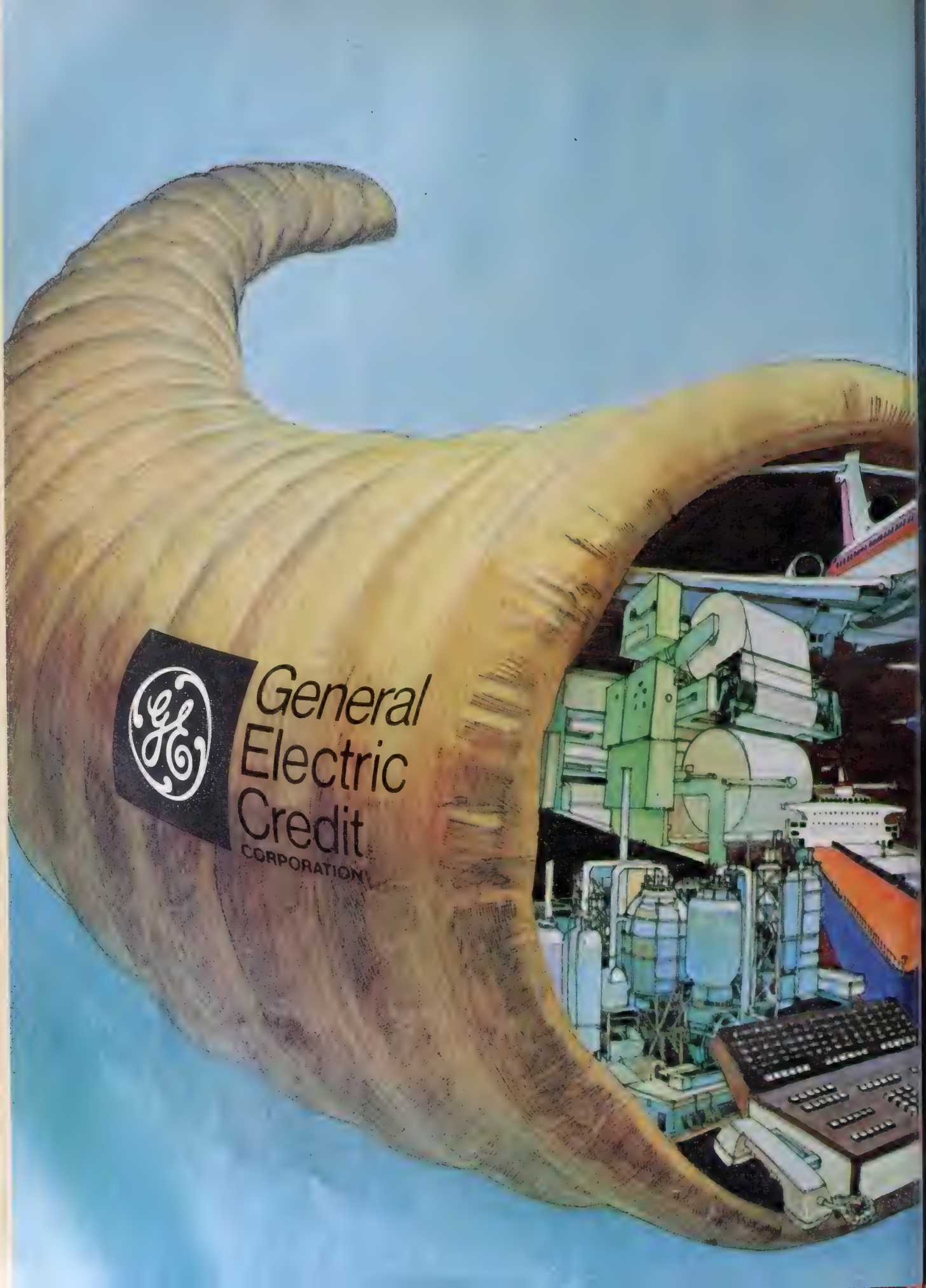
James will review your company's structure, benefit plans, and financial picture to determine whether or not self-insurance is for you. And it's worth noting that James administers more self-insurance programs, and has more specialists in self-insurance than any other broker.

For more information about James self-insurance programs—or to arrange for a feasibility study—phone your nearest James office, or write to our President, William E. Burch, 230 West Monroe Street, Chicago, Illinois 60606.

James

FRED. S. JAMES & CO., INC.
Insurance Brokers Since 1858
Insurance and Risk Management Services
Through More Than 100 Offices Around The World

Risk management is essential to sound financial management.


General
Electric
Credit
CORPORATION

GECC can lease you a plantful of equipment for your manufacturing department, a fleet of freight cars for your shipping department, a bank of computers for your accounting department and a new typewriter for your secretary.

When you need help with leasing—no matter how much—just mention our name: General Electric Credit Corporation.

GECC can, and does, lease just about anything that can be leased, from corporate planes to collators, from tankers to telecommunications equipment, from widebodies to word processors.

Because we're a $7-billion company we can, and do, handle just about any kind of lease—operating or full payout, leveraged, large or small, simple or complex.

When GECC puts a lease together for you, you'll know it's put together right. The GECC representative you deal with (they're located from coast to coast) is a professional who knows your business—and your leasing needs—backward and forward. And he knows how to get unconventional when conventional leasing won't do.

If GECC can't lease it to you, maybe it can't be leased. To find out more about our leasing capabilities, call David H. Williams, V.P. Marketing, at (203) 357-4241. Or write.

General Electric Credit CORPORATION

Administrative Offices:
260 Long Ridge Rd. • Stamford, CT 06902

Depend on ACL to take the cherries and the cherry-picker.

One North Atlantic line carries every kind of export cargo, on every ship.

Containers, cars, RO-RO cargo. ACL takes it all. And we depart three times every week—not just once a week. Why wait, when your best choice is our next ship.

ACL provides containers, including refrigerated and specialized units, from our supply of 20,000 nationwide. Non-containerizable cargo, on its own wheels or ACL trailers, rolls directly through our giant stern doors—to save you costly disassembly, boxing, packing and reassembling charges.

Number 1 in total service.

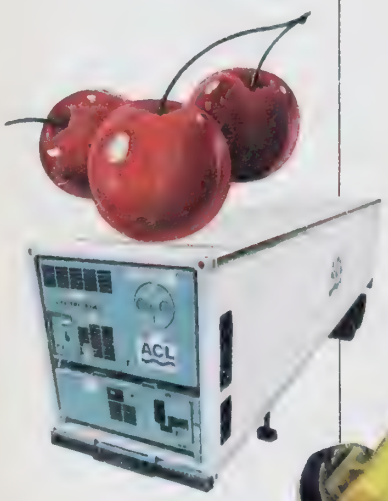
You get the same speed and savings on bulk liquids and precision machinery. On tractors, textile mills, mobile homes, and jet engines.

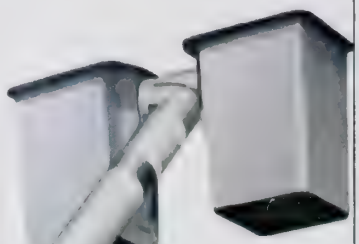
Our intermodal specialists chart your most economical route from any inland city. Plus, ACL's ten ships and eight direct European ports avoid the delay and risk of damage due to transhipping.

Specify ACL for exports.

The fact is, ACL can save time and money every step of your export (or import) operation. And if you don't currently export, we can help open a vast new market.

Ask for ACL. Contact your foreign freight forwarder, your ACL representative, or call (212) 785-2700. You can also write: Atlantic Container Line 80 Pine Street, New York, N.Y. 10005.





ACL

Atlantic Container Line Number 1 to Europe.

Products likes synfuels. You would, too, if saw the prospect of tripling your busi—or more—with little payout up front.

Ed Donley's sweet deal

HEN EDWARD DONLEY, chairman and CEO of Air Products & Chemicals Inc., found that his n people had come up with a via- v synthetic-fuels process, he set utting together a nifty deal. Not uld it give his company an entry usiness that could reach to the llions, but it does so at an initial just $45 million plus the time of his executives and engineers.

s why one spring day next year, the quiet Kentucky town of Newman will have its peace disturbed by a vast parade of bulldozers, cranes, steam shovels and other heavy construction equipment, when a small army of men will gather on a plain near the region's coalfields and begin building. For three years they will be there, amid the green hills, constructing over $1 billion worth of towers, tank farms, process vessels, banks of compressors and miles of connecting pipe.

When they are done, bituminous coal from the nearby mines will no longer be shipped out directly, but sent at the rate of 6,000 tons a day to the enormous new structure. There the coal will be pulverized and dissolved in a solvent resembling creosote. Hydrogen gas will be forced into the solution under high pressure. Heat in the process vessel will drive off most of the pollutant sulfur compounds that have clouded coal's future as a basic U.S. energy source. The rest of the sulfur and the unburnable ash content will be drawn off. (The ash, gasified separately with oxygen, will become the source of most or all the hydrogen.) Then the solvent and hydrogen will be extracted to repeat the cycle.

Left behind will be a shiny black slab and a residue of burnable liquids. The slab, when broken into small, uniform pieces, will be a near-perfect boiler fuel, nonpolluting, and delivering 45% more heat energy, pound for pound, than the coal from which it was made.

The processing will not stop there. Some of the slab will be cracked in refining towers, again in the presence of hydrogen, and transformed into synthetic crude oil particularly suited by its high naphthene content to make gasoline. Some will be converted into coke. The boiler fuel, coke and "syncrude," with

ucts Chairman and Chief Executive Edward Donley
synfuels plant could even be better than frozen hamburgers.

the energy equivalent of 20,000 barrels of oil *per day*, will be shipped to feed refineries and power plants and steel and aluminum mills. If this enormous complex works as well as expected, within another six years the capacity of the installation will be increased 5 times and the output will grow to 100,000 barrels a day of crude oil equivalents.

That is what this branch of the synfuels industry can become. And if it all works, similar complexes will be built throughout the Appalachians, in Wyoming, Montana, Texas and wherever else coal is mined. There are no ifs about the complex near Newman, Ky. It will be built by Air Products, which until now has been best known as the second-largest supplier of industrial gases.

Ordinarily, a company of Air Products' size—assets $1.4 billion, annual revenues $1.2 billion—could not hope to get into a new business, however promising, where the opening ante is $1 billion. But Donley got some partners into his act. He teamed his company in a joint venture with Wheelabrator-Frye, Inc., which knows its way around Washington, the law courts, construction sites and the fuels marketplace. Each company contributes about 5% of the total cost—$45 million in 1979 dollars. The Commonwealth of Kentucky contributes another $30 million. All the rest--$755 million, in 1979 dollars, remember—will come from the Department of Energy, which is financing four such demonstration projects around the country, each using a different process.

If the plant works out as Donley expects, it will transform Air Products into a major factor in the energy business. Given a 360-day year and $30 a barrel, the Newman, Ky. plant would ultimately produce annual revenues of just over $1 billion in current dollars. Air Products figures the probable cost at about $19 a barrel for boiler fuel and $24 to $28 for syncrude. Once the process is demonstrated at the pilot 20,000-barrel level, the joint venture will have the option of buying out the feds and expanding the plant to full size themselves. By then, the risks of proving out the profitability will have been borne by the government. Moreover, the operation will probably benefit from some other form of government support—loan guarantees, rate of return guarantees or both—depending upon which of several synfuels bills passes Congress.

And if the gamble doesn't prove out for one or another reason—such as if Gulf Oil's or Exxon's or somebody else's process proves superior—says Donley, smiling, "then we could use the plant to produce only boiler fuel and coke. We could sell the coke, actually, for an even better price than we can get now for the synfuels." Steel-making coke is costly and in short supply because of the horrendous pollution problems of conventional coke ovens. And aluminum-making anode coke supplies, by-products of gasoline refining, seem sure to grow more slowly than the needs of the aluminum industry. So Donley will have markets. Meanwhile, Southern Co., which gets 85% of its electricity from coal now, is waiting in the wings, watching the project and eager to buy lots of nice, clean boiler fuel.

Of course, Donley doesn't want it to work out that way. But even if it does and he ends up with an also-ran process, Air Products is going to be a big winner from the synfuels business. Because whatever process or processes win, they are going to be using lots and lots of oxygen, one of Air Product's mainstays.

Donley picks up a sheet of paper from his desk and slowly counts the items on it. He looks up: "As of this morning, we have 14 inquiries from other companies' potential synfuels projects, totaling some 68,000 tons per day of oxygen capacity.

If Gulf Oil's or Exxon's process proves to be superior, "we could produce only boiler fuel and coke. We can get a better price for coke than for synfuels."

Our total existing capacity is only 27,000 tons." Indeed, the entire *country's* existing oxygen capacity is only about 60,000 tons per day, and all the coal conversion technologies in view now use vast quantities of oxygen or hydrogen or both.

"If President Carter's proposal should come to pass for 2 million barrels per day of synthetic oil or equivalents by 1990—there is almost no chance now that the country could develop so much so soon, of course. But when we eventually do, the U.S. will have to triple its oxygen capacity by whatever process it employs." And he smiles, mentally playing with all the potential, new, noncyclical compound growth rates *that* could mean.

Donley, 58, who joined the Allentown, Pa.-based company in 1943, is obviously a very careful man. But then, so is his company. Air Products, from the first, has made most of its money cryogenically separating air, and selling off the component oxygen, nitrogen and argon. A lot of the rest of its profit is from producing hydrogen (from natural gas) and selling cryogenic equipment and services. A moderate-size chemicals business, about a third of revenues but just a sixth of operating income, lends some diversity.

A simple enough business, but making a stable, growing and above all noncyclical enterprise out of selling air took some thought. The big customer has always been the cyclical and mature steel industry, whose basic oxygen furnaces (BOF, now used in about 55% of steel pr tion) take oxygen by the thousan tons per day. The increasing share BOF process in the steel industry a Air Products in the BOF segment c the company a long way, but that m has long since been saturated.

The key to Air Products' *nonc* profits, from the beginning, was things on a take-or-pay contract. pose a steel mill normally uses 1,00 of oxygen per day," explains D "We'd offer to build a captive plant to it and supply it if the steel co will guarantee to pay for at least 80 per day. We give them a very low of course, but enough to guaran small profit at 800—and there is an tion adjustment." Donley pauses. we take the contract to the bank a very favorable financing, becaus loan is effectively guaranteed not o us, but also by the resources of a steel company." He pauses again smiles. "Then we build the plant t duce *1,200* tons per day. Since the company covers most of the ove with the first 800 tons, we can pr the rest at a very low incrementa and sell it, mostly to metalwo firms, in the merchant gas m which is a very lucrative business."

That's oxygen. Nitrogen, which times more abundant, goes largely frozen-foods industry: "Most of M ald's hamburgers are frozen with o uid nitrogen," notes Donley. (An argon, a tiny atmospheric fracti used in metallurgical processes th be performed only in an inert, ox free atmosphere.)

The results have been heartwar Air Products has grown at an a compound rate of well over 20% a ly for 20 years. The company $97.5 million last year, on reven $1.2 billion, and earned 20% on eq

But steel is nobody's idea of a g market; metalworking grows s than Air Products and is cyclical; a year the fast-food business also had year. Meanwhile two large and mined competitors—British Ox Airco Inc. and the U.S. arm of Fr L'Air Liquide—are engaged in pric ting to build market share again Products and the somewhat larger division of Union Carbide. So Bob man, an analyst at Merrill Lynch mates that Air Products will ear share in fiscal 1980, ending in Sept That is up from $3.45 last year, bu of that gain would come from a non ring writedown in 1979 (12 cents a a 1980 capital gain (13 cents) a accounting change (20 cents).

Obviously the time is right to l new ventures. Synfuels might be j ticket; if their potential is ever re 20%-a-year growth might be pretty potatoes for Air Products. ■

First the bad news...

...then the good news. General Re

America's Largest Reinsurer

General Reinsurance Corporation and its subsidiaries reinsure property, casualty and life insurance in the United States and 27 foreign countries.

General Reinsurance Corporation, 600 Steamboat Road, Greenwich, Connecticut 06830

International Paper presents the 10-minute cabinet

We asked Frank Lo Dolce and en classmates in the seventh rade shop at the Summit, N.J., unior High School to see how ast they could put together a otally new kind of wood cabinet. And with *no* tools!

We gave them quick instructions. They went to work. Frank nished in 5 minutes and 5 econds. The class average was 0 minutes. And one student anaged the job in 2 and a half inutes! (We've clocked professional installers at 90 seconds.)

Why it's a snap

How can a wood cabinet that's o solid and handsome go together o fast? With no tools? Instead of ue and nails, exclusive durable clips snap cabinet parts together quickly and securely.

There's no other cabinet like it. It's called "Create-a-Cabinet.™" And it gives International Paper customers a strong edge over other cabinet distributors and dealers in the battle to attract do-it-yourselfers, builders and remodelers.

Look, ma, no tools! *And no glue and nails! IP's sturdy 10-minute cabinet snaps together. And holds together. It must pass an 800-lb. downward pressure test.*

IP's 10-minute cabinet offers:

1. Fast assembly. A glue-and-nails cabinet with the same dimensions as the one Frank put together would take a handyman at least 30 minutes, carpenters figure. IP's cabinet assembles faster—with no tools.

2. Super strength. Thirty-five torture tests prove it, including an 800-lb. downward pressure test to make sure the cabinet won't collapse under the weight of dishes.

3. Easier to get home. A whole kitchenful of IP's 10-minute cabinets fits easily in a station wagon. The cabinets are easier to get into apartments and high rises, too. Preassembled cabinets are hard to wrestle up long flights of stairs and can be damaged on the way. But IP's new cabinets can swing safely through upper-story windows, then quickly go together.

4. Take up less room on the job. When a local cabinetmaker delivers a set of assembled cabinets to a building site, heaven help the carpenter if he's not ready to install them. Cabinets can take up a lot of room out on the floor. And they stand a chance of getting dented. IP's 10-minute cabinets take up only a corner of a room till they're ready to go up.

5. Broader inventory. One box fits all fronts. IP packs them separately, so distributors and dealers can stock more "fronts" than "boxes" for a bigger immediate choice of cabinet styles for their customers. IP offers *five* different designs.

6. Lower shipping cost. Because IP's 10-minute cabinets take less room than assembled cabinets, they cost less to ship—up to three-quarters less.

The 10-minute cabinet from International Paper. It's an example of how we help *all* our customers—from builders and dealers to package goods producers to printers and more.

Think of us as the problem-solvers. May we help solve yours?

Write to us at the address below or call toll-free: (800) 223-1268. In N.Y. State: (212) 599-3194.

INTERNATIONAL PAPER COMPANY

220 EAST 42ND STREET, NEW YORK, NEW YORK 10017

k Lo Dolce put this IP wood cabinet together utes and 5 seconds. If it's that easy for him, think how much easier s life for do-it-yourselfers, builders and remodelers.

© 1980 INTERNATIONAL PAPER COMPANY

Should the SEC police corporate morals? No, says Roberta Karmel, the outspoken lawyer who was the Securities & Exchange Commission's first woman commissioner.

Police brutality?

As I See It

ROBERTA KARMEL isn't the sort of person who fits in well in a government bureaucracy. In her almost three years as a commissioner of the SEC, the 43-year-old New York lawyer spoke out frequently against what critics see as the agency's empire-building tendencies. Three months ago she quit the commission and went back to private law practice in New York. With its chief gadfly and only woman commissioner gone, the SEC bureaucracy is up to its old tricks. It will consider a proposal requiring corporations to make more detailed disclosures on political contributions. FORBES asked Karmel what she felt about the commission's growing tendency to go beyond its original mission, which was to protect investors and keep capital markets healthy.

FORBES: You have said that during recent years the standard for what companies must disclose—that is, whether the facts are "material"—has become increasingly subjective and qualitative. Why?

Karmel: I think it has happened for a number of reasons. First, the SEC's traditional policy of limiting disclosure to objective and verifiable data has been criticized for not eliciting the facts which influence investors in making decisions in the real world. The commission has responded to this criticism by not only permitting but also encouraging issuers to disclose soft, forward-looking information, such as projections.

FORBES: Should the SEC require companies to make projections?

Karmel: No. I think that required disclosure would lead to problems because projections and other kinds of soft-information disclosures are extremely chancy. In this inflationary age a lot of hard financial disclosure is getting soft. It doesn't seem fair to put corporations at their peril, in terms of their potential liability under the securities laws or simply embarrassment in the eyes of the financial community, for making good-faith predictions which prove false.

A second factor [making materiality subjective] is the pleading of various issuers for special treatment. For example, small business would like to have a different disclosure standard. It is hard to conclude that investors in small businesses need less protection or less information than investors in big business. Further, if government regulation of small business defeats the objective of facilitating capital formation, so does that same regulation of big business.

Former SEC Commissioner Roberta Karmel
Still opposing regulatory overkill.

A third force causing the SEC to go beyond strictly economic materiality in its disclosure rules is a post-Watergate obsession with corporate morality. In many cases involving questionable or illegal foreign or domestic payments, the SEC insisted upon disclosure, regardless of the economic materiality of either payments or the business thus obta The commission argued that unla conduct of any kind is material per premise which I must confess I do share, because it reflects on the inte of management. That standard is subjective. What a government off believes is appropriate conduct may be the same as what a corporate off believes is appropriate conduct.

It's important for the governmen be concerned about proper corporat havior but I'm not sure that this ca done in the name of the public inve The SEC's charter is investor protec and a regulatory framework to achie fair and orderly public securities ma That is the heart of the commiss mandate. The commission does not a mandate to require corporations t have correctly as it sees it.

I think that when you have any sys of regulation where the standards ap are not objective and definite, too m discretion and latitude is given to enforcement officials. This is a very healthy system of regulation and law forcement. It's important for law enf ment officials to have flexibility. B they have too much flexibility I t that is really threatening in a system is supposed to be a government of law example, I don't believe that law enf ment officials should have the pow prosecute for conduct which is not u stood to be unlawful prior to the time the prosecution is brought.

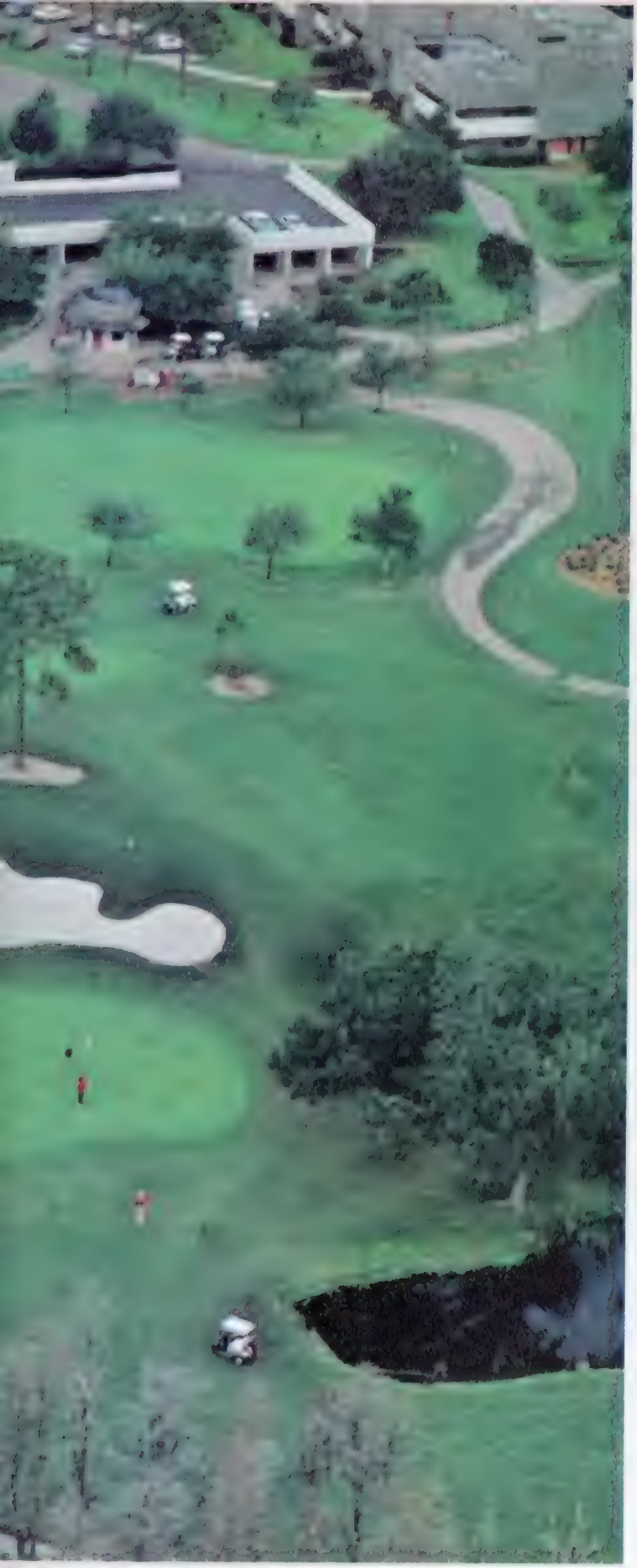
FORBES: You've said that to permit SEC to define what is material by its notions of management integrity give the government license to prose anyone of whom it disapproves. Is t real and present danger?

Karmel: My own feeling, as som who has so recently left public servi that it's a danger not only to the reg ed but to the commission itself. Ev that discretion is not abused, it give to a perception of unfairness on the of the people regulated by the com sion. My speaking out against it wa of the feeling that it is bad for the p and bad for the government.

FORBES: How genuine is the risk of disclosure?

Karmel: The important risk, a risk is inherent in a lot of government re tion today, is cost. Too much time energy on the part of corporate man is being devoted to compliance with ulatory requirements.

Another risk of overdisclosure h do with the ability of U.S. corporat to compete in worldwide market American corporations are require make disclosures that foreign comp are not required to make, and if this of disclosure puts them at a compet disadvantage, then the economy whole is injured.—*Steven Flax*



HELPING INNISBROOK SAVE ENERGY HELPS CENTEL GROW

Since adding its good name to Centel's ever-growing list of acquisitions, Peninsula Communications has more than lived up to our expectations.

A good example of Peninsula's ingenuity is the energy-saving, telephone system the company created for Innisbrook, Florida's premier sport resort. Now from one central communications nerve center, the resort's management can regulate heating, air conditioning and water heaters throughout the entire complex.

We're proud of our successful expansion in Florida. But it's just one small chapter in Centel's on-going growth story.

We're also putting our 50 years of telecommunications experience to work in a number of other promising growth areas. Like data communications services. Cable and master antenna television operations. Business and residential security systems. And more.

Building on a prosperous telephone business concentrated in the Sunbelt, Centel has recorded 10% compounded yearly earnings growth for 12 consecutive years. And increased its dividend at least once every year.

A tradition of growth we plan to continue.

CENTEL

CENTRAL TELEPHONE & UTILITIES

One man's waste is another man's sustenance. Which is one reason why it's so difficult to reduce government spending.

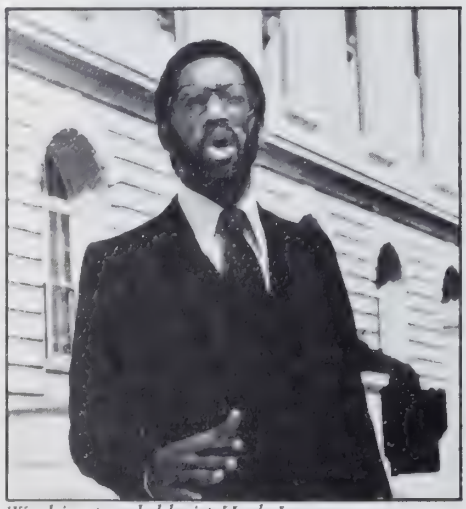
Not us, please

LET ME BE BLUNT. That move may be interpreted as your people trying to save their own butts, and not the programs of the agency," said Hayden Gregory, chief counsel and key staffer on the House subcommittee on Crime. Herb Jones listened and let the advice sink in: When fighting budget cuts, don't emphasize the jobs in the federal agency that might be lost. It was good advice, he admitted later.

Jones is a lobbyist for the National Association of Counties (NACO), which represents county governments. Right now he's trying to save the budget of the Law Enforcement Assistance Administration (LEAA), a federal agency which has funneled up to $600 million a year to state and local governments for police, courts, prisons and other crime prevention programs. Both President Carter and the congressional budget committees have targeted the LEAA for a virtual wipeout in 1981.

As balancing the budget becomes a new priority, similar scenes between special interest groups and congressional staffers are played out everywhere on Capitol Hill. Air Force generals are trying to save the CX transport. Social workers are trying to keep eligibilities for food stamps from being tightened. Government unions are trying to keep cost-of-living raises from being stretched out.

When Jones hits the halls of Congress he finds most staffers already know the pros and cons of the LEAA. His real job is trying to find out the mood of the legislators, and what the staff people think he can do to change it. He's trying to gauge how much money he can save from the budget cutters, and where the soft spots are—who he can get to fight for LEAA money, and who is on the enemies list to be targeted for heavy bombardment by letters and other lobbyists. Part of Jones' job is to target governors and state and county legislators back home so they can turn the screws on their local congressional delegations.



Washington lobbyist Herb Jones
Save the jobs by saving the program.

Knocking on congressional doors isn't the only way to lobby. When the Administration said it wanted to eliminate $1.7 billion in revenue sharing to the states, the U.S. Conferences of Mayors promptly issued a 25-page survey claiming that cities all over the country may face fiscal crises similar to New York City's. Proposed cuts in social welfare programs triggered press releases by the Congressional Black Caucus. Lane Kirkland, president of the AFL-CIO, threatens to end cooperation with the Administration on wage guidelines because of cuts in social programs. But the nitty-gritty work of keeping that blade away falls on lobbyist Jones and the swarms like him in the nation's capital.

Here are some tips Jones picked up in recent chats in key offices:

- Get publicity at local levels on where that money goes in order to build protests on the proposed cuts.
- Check the legality of eliminating funding for a program reauthorized only four months ago for a four-year period.
- Hunt for a congressman to sneak in an amendment on the House floor to restore some of the funding.

Jones says he doesn't make a habi pestering people on Capitol Hill shuns the popular image of the lobb as influence peddler who treats to dri and dinners. "I find I'm taken more s ously on a professional level by visi someone's office and engaging in logue, rather than sitting across f someone with a drink in a bar," he sa

It's common in Washington for a v ety of interest groups to join hand save the same program. Efforts to s the LEAA, for example, are also b made by the International Associatio Chiefs of Police, the National Crim Justice Association, and the Police ecutives Research Forum. So far haven't made much headway. Says a byist for the National League of Ci "We had to pick and choose our fi this year and the LEAA was not co ered inviolable. We need to control i tion and balance the budget so we to let certain programs go."

LEAA makes a good target for the get cutters. It has received plenty of publicity. "It has been proposed for mination and reductions before for management and an inability to ach results that could be seen," says House staffer. The agency has been able to live down some of its more d ous projects: expensive riot-co equipment such as tanks that now s police garages unused, wristwatches take the pulse beat of on-duty cop measure stress levels, even a stud ways to prevent police disability by proving the design of cops' shoes. "W never been able to convince people w not wasting taxpayers' money, though we can hold up to severe scru now," laments Gordon Smith, the d tor of the Governor's Crime Commis of N.C., where 50% of the operating get is supplied by LEAA grants.

LEAA cash is scattered about in bles to police forces, prison staffs, ju crime commissions and the like. Co quently, the beneficiaries can't easil welded into a powerful, single-issue by. "Their lobbying effort is indirec they have less visibility. They w come up here and park on the mall the farmers, or bring their case dir to the public," says a Senate staffer.

Perhaps lobbyist Jones' protest-ha cap is that crime has fallen on the li national priorities. In 1976, law an der was the big issue. Now it's infla fighting, national defense and en that stirs Congress. It all adds up to a future for the LEAA.

The odds are, however, that Jones his friends will be able to save at some of the LEAA's funds. It's a fa life: Every bit of government spen no matter how seemingly wasteful, b fits *somebody*. And under our system somebody can make himself felt heard. ■

THE 80's: U.S. KOREA

A New Decade of U.S.—Korea Economic Partnership

The U.S.-Korean economic relationship began about a century ago at a time of transition when Korea was just acquiring Western technology and developing ties with Western nations. Now the entire world is experiencing another period of transition as the economic realities within and among nations are changing. The process poses difficult, but manageable, challenges to both the Republic of Korea and the United States over the next few years

The immediate problem, of course, is the sharp increase in the price of oil which has not only slowed growth and stimulated inflation in countries such as Korea but also created or magnified balance of payments difficulties in most non-oil producing countries. We must not, however, blame all our troubles on the escalating price of oil. Other factors — particularly international political and military realities which require us to devote a large portion of our resources to nonproductive but essential military expenditure; protectionist trade policies, to the extent that they promote inefficiencies in the use of resources; and purely domestic developments — have contributed to economic downturns in both Korea and the United States

Both countries face some similar economic problems. In both Korea and the United States, inflation is a major threat. Rising unemployment is also a matter of intense social concern, and balance of payments deficits have plagued both countries. In Korea's case, a current account deficit is entirely appropriate given the country's present stage of development; however, there are limits to what can be comfortably financed through international borrowing. In addition to these common problems, Korea simultaneously faces special difficulties of economic and political development.

I am optimistic about long-term prospects. The underlying strengths of the Korean economy — a superb (hard working and educated) workforce, an alert and dynamic entrepreneurial class, an unusually talented corps of economic planners, and a generally united approach to economic development — have been proven beyond a doubt. If these assets can be combined with a consensus among Koreans on the issues of political development, there is no reason why the Republic of Korea cannot continue its evolution as one of the great economic success stories of the 20th century.

A personal message from Ambassador William H. Gleysteen, Jr.

In the meantime, while both countries are "in the trough of the cycle" so to speak, it becomes particularly important to demonstrate a sensitivity to each others problems, and to seek imaginative new ways in which Korea and the United States might cooperate to mutual advantage. For example, both countries have benefited from a relatively free and open system of international trade and payments. For a generation, the United States has been a principal supporter and sustainer of such a system, which has improved the material well-being of people around the world including the United States. The opportunities such a system afford have been demonstrated by Korea's remarkable progress with export-led growth.

But in times of economic difficulty and rising unemployment the demands of import restriction inevitably become more insistent. The United States will in the future, as it has the past, continue to work to maintain an open trading system. Even so, the international community recognizes that at times certain domestic industries need to be given time to adjust to rapid international changes. This principle is embodied in the GATT's international charter for trade which recognizes that where sudden surges of imports threaten serious injury to domestic producers, importing countries are entitled to take protective action. Naturally it is better if understandings can be reached between importing and exporting countries on how such problems can be handled, and this has indeed been the case between Korea and the U.S. regarding such industries as textiles, color television and non-rubber footwear.

Difficulties in particular industries should not obscure the basic point that both Korea and the U.S. share a common interest in an open trading system. Refusal to provide some accommodation to domestic industries endangered by import surges could jeopardize the whole liberal import regime which benefits by far the greatest volume of

Korean expertise, we do it better.

KTA, the Korean Traders Association, is your liaison for trade contacts in a country that now offers top-quality goods and services of bewildering variety. To smoothen your path to this US$40 billion-a-year market, we have a special staff of consultants who know the score for anything you can name.

Please write us. We get you in touch with any one of our 2,300 members (all exporters-importers in Korea, that is) to accommodate your particular requirements. We can show you where to go for what

KOREAN TRADERS ASSOCIATION
WORLD TRADE CENTER KOREA

C.P.O Box 1117, Seoul Cables KOTRASO and WORLDTRADE SEOUL
Telex K24265 KOTRASO Telephone 771-41

New York Branch
Hahn Kook Center Building, 460 Park Avenue Room 555, New York, N.Y. 10022 U.S.A.
Tel [illegible]

Tokyo Branch
5th Fl., Dai 33 Mori Bldg., 8-21, 3-chome, Toranomon, Minato-ku, Tokyo, Japan
Tel [illegible]

Hong Kong Branch
Korea Center Bldg., 119-120 Connaught Rd., C Hong Kong
Tel 5-432234-6 Tlx 74386 KOCEK HX

Düsseldorf Office
Emanuel-Leutze Strasse 4, 4 Düsseldorf 11 W. Germany
Tel (0211) 594006-7 Tlx 8584754 KTAD

trade. Cooperation between importing and exporting nations in handling these particular problems is obviously in the long-term interest of each country. It is imperative to maintain open lines of communication between the Korean and the U.S. governments and business organizations to identify potential problem areas and, by the same token, new areas of potential trade. Moreover, we must do so in sufficient time to permit adjustments on both sides

One area of cooperation which has been widely recognized but not as widely exploited is the establishment of joint ventures which take account of the special needs and the special talents of each partner. We have not come close to realizing our full potential in this area, but some progress has been made, both here in Korea and abroad, particularly in Middle Eastern markets.

During the next few years, as in the past, one of the crucial roles to be played by the United States in Korea is as a supplier of capital. At this time, direct equity investment by U.S. firms in Korea totals well over $300 million, but this is only the tip of the iceberg. Through commercial loans, government-to-goverment loans, and military sales financing, American financial institutions have an exposure amounting to billions of dollars in Korea. The U.S. Export-Import Bank has a larger exposure in Korea than any other country in the world; I can think of no better indication of the confidence we have in Korea's future.

Increases of trade between the U.S. and Korea may appear only marginally important in any one year, but over a period of time they have accumulated to create a large vested interest between the two countries. That trend is continuing upward despite recent economic difficulties. Going in both directions, the value of our bilateral trade was more than $8 billion in 1979, and should approach the $10 billion mark this year.

The key economic challenge facing both governments as well as concerned business groups is to accommodate intelligently and energetically to the new realities of the 1980's and in doing so to adhere as closely as possible to the principles of open trade and competition. This, in the long run, will be the surest path to economic strength and prosperity on both sides

The key political challenge facing businessmen as well as others is whether Korea can transform the trauma and turmoil of recent events into opportunity. The past decades of development laid solid foundations for spectacular economic growth. The current situation holds promise of broadening these foundations for a commensurate degree of political development. A stable, broadly based government in the Republic of Korea will deter any temptation to adventurism on the part of adversaries and will reassure the international community, without whose support modern Korea cannot prosper.

Thus, the challenges are clear, as are the opportunities. The active and dynamic participation and cooperation of business organizations from both countries are essential.—
William H. Gleysteen, Jr.

SPEED, SKILL, ENTHUSIASM, FLAIR — TRY A TOUCH OF KOREAN MAGIC

Behind the Korean dancer's effortless art are countless hours of practice. For her, nothing short of perfection will do — it's the Korean way. In the banking and financial sphere, Korea Exchange Bank displays the very same qualities and ambitions, as we emulate the dancer in our quick responses and determination to please our public.

We've already proved ourselves as a vital component in Korea's impressive economic performance, and we stand ready to serve you through our integrated global network of offices.

Wherever you are, Korea Exchange Bank is close at hand, with information and prompt tailor-made services designed for your needs. Our comprehensive range of skills and services are all you would expect from a major international bank but, in addition, we supply that special touch of Korean magic.

KOREA EXCHANGE BANK

Head Office: 10 Kwanchul-Dong, Chongro-Ku, Seoul Korea TELEX NO. K24244, K24245, K27237, K27254 C.P.O. Box 2924 Seoul Cable Address KOEXBANK SEOUL Tel: 720041, 740051, 745161, 738761
Branches: New York, Los Angeles, Chicago, London, Paris, Frankfurt, Amsterdam, Tokyo, Osaka, Hong Kong, Kowloon, Singapore, Bahrain.
Representative Offices: Houston, Seattle, Toronto, Mexico City, Panama, Caracas, Sao Paulo, Buenos Aires, Zurich, Brussels, Milan, Vienna, Stockholm, Fukuoka, Bangkok, Jakarta, Teheran, Nairobi, Sydney
Subsidiaries: California Korea Bank, Los Angeles • Korea Associated Finance Ltd., Hong Kong • Korea Europe Associated Finance Company S.A., Brussels • Cairo Far East Bank, S.A.E

Only on Korean will you experience warm natural hospitality.

lave you ever been a guest at a Korean banquet?

When you're a guest in a Korean home, you can expect the best it has to offer. Every meal is not only exquisitely presented but deliciously prepared.

And the same is true on every Korean Air Lines flight. You'll be served by gentle hostesses wearing "chima-chogori" — the traditional dress of ladies in waiting to early Korean kings.

Korean offers you a natural hospitality no other airline can match. That's one more reason why Korean is fast becoming Asia's leading international airline.

Come fly Korean. Come spend a few pleasant hours as our guest.

KOREAN AIR LINES

We treat you as an honored guest.

abi Amsterdam Anchorage Bahrain Bangkok Colombo Dhahran Fukuoka Hong Kong Honolulu Jeddah Kumamoto Kuwait Los Angeles Manila Nagoya Niigata New York Osaka Paris Seoul Taipei Tokyo Zurich

Prospects for South Korea

by Herman Kahn

Although the real impact of the assassination of South Korea President Park Chung-hee will not be known for some time, it is clear that his death leaves a genuine power vacuum that will be difficult to fill; there was no clear line of succession established before Park died. Despite the political uncertainty that seems likely to exist in South Korea for at least several months, there is every indication that the new government and the people of South Korea will maintain the same general policies in support of economic growth that proved so successful under Park. There will probably be a continuation of slower growth this year. But this seems likely to be caused more by the worldwide recession and the impact of inflation than by any political instability following Park's assassination — though the uncertainty about what is happening and a likely lack of firm leadership will also have some effects.

During the 18 years of President Park's rule, South Korea emerged as perhaps the greatest success story in the developing world. It transformed itself from one of the world's poorest countries to a "middle income country"* with one of the highest growth rates in the world. In part because of the homogeneity of Korean society, in part because of conscious policies followed by the Park government, there has been a remarkably egalitarian distribution of income in South Korea. All levels of Korean society have shared in the country's growing affluence. For example, a 1975 World Bank study found the Korean income distribution curve to compare favorably with other developing nations, and even with some of the most egalitarian countries in the West. Of course, all Koreans do not share equally in their country's success —the top 20 percent of Korean families receive about 45 percent of the income. But when per capita income doubles in the next decade or so, it is likely to double for all income groups.

Prior to World War II, Korea was a colony of Japan. The end of the war had a traumatic effect on Korean society, and particularly on the economy. The population swelled enormously as a result of the repatriation of Korean workers who had been shipped throughout the Japanese empire, and subsequently a huge influx of refugees from the Communist North. Moreover, most of those in managerial and technical positions had been Japanese, and they naturally returned to Japan. In addition, the division of the country (the first in 1200 years) was a blow to national confidence and pride.

South Korea was just beginning to get back on its feet when the North Koreans invaded in 1950. The subsequent war, in which Seoul changed hands four times, was a further devastating blow to the South Korean economy and social structure, destroying its infrastructure and leaving almost a million South Korean civilians dead (out of a total population of 20 million). Even after the war ended in 1953, with the establishment of a truce line roughly along the prewar boundary of the 38th Parallel, South Korea's recovery was hampered by a heavy defense burden needed to meet the continuing threat from the North. This threat exists even today, though, as we note in greater detail below, it also serves as a challenge. South Korea's recovery was strong enough by the standards of the day, but the corruption and lack of guidance that plagued the government of President Syngman Rhee hampered South Korean efforts to "take off." Only after a military coup in 1961, in which Park came to power as head of a group of officers dissatisfied with the slow pace of economic growth, did the economy truly begin its spectacular growth, most experts believe as a direct result of the changed policies of the new government. Many of these new policies were made over the objections of American advisers.

South Korea's success since then

**Defined as nations with current per capita incomes of between $500 and $4,000 (in 1979). About two billion people now live in these countries.*

Samsung provides fertile soil for the development of technologically advanced industry.

Some maintain that the great technological advances of the 20th century have reduced the dimensions of space and time. It's a small world, they say.

At Samsung, we offer the best of both worlds: **technological capability and room for development.**

As the oldest and one of the largest business groups in Korea, we've had the time to mature. More than 40 years of continuous expansion have provided us with the knowledge and experience necessary to work side by side with some of the best names in Western and Japanese industry.

Our ventures have taken us into everything from dolls to industrial plants. Samsung is currently active in the fields of precision industries, electronic equipment and appliances, heavy industry, constructions, petrochemical products and process, shipbuilding, and many others.

Modern management methods, the general economic climate of Korea, and our superior technological know-how for the fertile soil in which new ideas and new enterprise take root.

Contact Samsung — The Grass Is Greener!

SAMSUNG GROUP

Represented by Samsung Co., Ltd:
C.P.O. Box 1144 Seoul, Korea
Telex: STARS K23657/K28565/K23302
Cable Address: STARS SEOUL

NEW YORK Tel: (212) 986-6736 Tlx: 234655A NYST UR
LOS ANGELES Tel: (213) 936-8111 Tlx: 696141 LASTAR LSA
CHICAGO Tel: (312) 663-0140/1 Tlx: 256183 SAMSUNG CGO
HOUSTON Tel: (713) 960-1910 Tlx: 79-0107 SAMSUNG HOU
MONTREAL Tel: (514) 389-5916/7 Tlx: (05) 825654 STARS MTL

The economic miracle of Korea has become the envy of the world; but it does not just happen, it is the result of hard work and honest cultivation of business.

To find what experience and individual attention can do for your company, contact our head office in Korea or any one of our overseas offices.

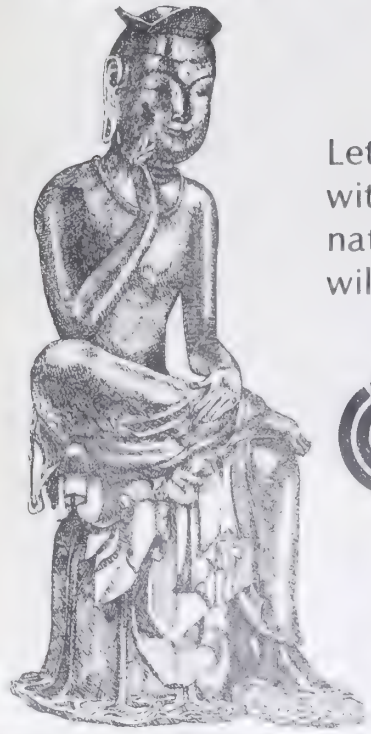
We deal with all international and domestic banking businesses, including trust business. We look forward to serving you.

BANK OF SEOUL AND TRUST COMPANY

Head Office: 10-1, 2-Ka, Namdaemun-Ro, Chung Ku, Seoul, Korea C P O Box 276, Seoul Tel 771-60 Cable Address SEOUL TRUST Telex K23311, K23312, K23313, K23314, K23315

Overseas Network
Los Angeles Agency: 707 Wilshire Boulevard, Suite 1950, Los Angeles, Calif 90017 U S A Tel 213-680 9487/8 Telex 67 3518
New York Agency: 280 Park Avenue, WEST BLDG 24th/Floor, New York, N Y. 10017 U S A Tel 212-687 6160 Telex 238288 BOSNY UR
Hong Kong Branch: Room 1502 1503, New World Tower 16-18 Queen's Road, Central Hong Kong Tel 5-266754/5 Telex 63514 BOSHK
Tokyo Representative Office: Denki Building, Room 611, 7-1, Yuraku cho 1-chome, Chiyoda Ku, Tokyo, Japan Tel 03-213 0901/2 Telex J23985
London Representative Office: 65-66 Queen Street, London EC4R 1EB, United Kingdom Tel 01 248 6651/2 Telex 8951507
Frankfurt Representative Office: Bleich-Strasse 60-62, Frankfurt/Main, West Germany Tel 0611-284771/2 Telex 414134 BSTCD
Singapore Representative Office: 4105, OCBC Centre, Chulia Street, Singapore 0104 Tel 93337/8 Telex RS26844

The Bank that knows Korea best



Let Hanil Bank provide you with all that you need in international banking. Your profit will bloom!

THE HANIL BANK LIMITED

Head Office: 76, Sogong-Dong, Jung-Gu, Seoul, Korea Cable: HANIL BANK SEOUL
Telex: K23679, K24539, K24545, K24485, K27218
HANIL BK Tel: 22-7564, 777-7820/9

Overseas Networks
Branches: Tokyo, Los Angeles, New York, London, Hong Kong
Rep. Offices: Toronto, Singapore

has been truly remarkable. Since 1962, the country has grown at an average annual rate of around 10 percent a year in real terms, increasing its real GNP by a factor of almost 5. (However, in 1979 the growth rate dipped to 7 percent.) South Korea has also doubled its exports every two years for more than a decade to a level of almost $13 billion in 1978. What is even more astonishing — and largely unnoticed — is that Korea continued its remarkable growth record during the 1974-75 recession, despite sky-rocketing resource prices and the slack-off in world trade. South Korea chose to accept the costs of a higher inflation rate to maintain the pace of economic growth and, by devaluing the won by 22 percent, to maintain export growth, even at the risk of continued inflation. The Koreans gambled that the recession would not be unusually deep or protracted, and they turned out to be right. They also managed to maintain growth by moving aggressively into new areas of business, especially into overseas construction projects in the Middle East.

Early this year, the government announced another currency devaluation, this time of 19.8 percent, in order to keep exports competitive, again at the risk of continued inflation. Whether this gamble will prove as well-timed as the previous devaluation remains to be seen, but it does indicate a deter-mination to maintain market share and export growth, and, in general, high overall growth. Yet for growth to proceed, South Korea must come to terms with inflation, and with the effects of the current worldwide recession. This recession, and the cash - flow problems associated with the current tight money policies, has led to some small business bankruptcies, and more significantly, to a rise in unemployment, with cor responding social ramifications

Nevertheless, it seems likely that the government will continue to concentrate, through a tight money policy (mitigated by the recent devaluation), on reducing inflation even at the cost of increased unemployment. Koreans see inflation as a direct consequence of their rapid economic growth, and are now willing to sacrifice some of it, at least temporarily, to reduce their own too-high level of domestic inflation. They are also likely to aim for a stable real growth rate of a little less than 10 percent a year, rather than fluctuating widely and having to combat excessive inflationary pressures.

The recession will help to achieve this, since it will force Korean exporters to respond to lessened worldwide demand, and thus encourage a greater shift to the domestic market. Indeed, in some sense the recession may be a blessing in disguise, since Korea's pool of management talent has already been stretched thin by the rapid expansion of recent years. This expansion could only continue at previous rates with great difficulty and some increased risks. By forcing a retrenchment, the recession gives the rapidly expanding trading conglomerates, as well as the government, both an excuse and opportunity for consolidation.

GOOD ENERGY POLICY

Sharp increases in the price of oil should not hurt South Korea as much as other middle-income countries because its high rates of exports to GNP means it can pass a good deal of its energy costs through in higher prices to foreign consumers. Moreover, the Koreans are dealing squarely with the world energy problem; unlike the U.S., for example, they are planning a huge expansion in nuclear power. If these go through they should get a substantial portion of their power needs from nuclear energy by the end of the 1980's. Once that happens, Korean industries would have a pronounced advantage over competitors in other countries with more dependence on higher-cost, imported fuels. Indeed, while they have much the same emphasis on safety at these reactors as the U.S. has, they do not carry it to destructive extremes. As a result, nuclear power is much cheaper in South Korea than in the U.S.

Although the long-term prospects for South Korea probably remain as strong as ever, the political uncertainties created by President Park's assassination mean that short-term prospects will be more uncertain. Perhaps the most important concern at the moment, in the wake of the December 12 arrest of various ranking generals, is that the new military high command will be tempted to take control of the government from the new President, Choi Kyu-hah. If the military were to do this, there would then be a real danger of greater rigidity in policy-making and administration than there had been under Park. The Korean military is an extremely competent group, but quite naturally more competent in strictly military terms than in economic policy-making and other technocratic/civilian functions.

South Korea's economic success during Park's tenure was tied closely to his own good judgment, the scope that he gave to the technocrates in government ministries, and to the flexible free-market decisions of businessmen, and operating without substantial continuing interference from government. If the military were to gain direct control of the government, and to insist on making detailed technical and economic decisions, then the flexibility that has characterized the Korean economy for most of the past 20 years might be undermined. This would doubtless have

HYUNDAI specializes in making sweeping changes for the better

thru designing, engineering, manufacturing, installing.

The people in the 30 some countries where HYUNDAI has been at work over the past decades have a great deal to be proud of. They are conquering the age-old barriers of nature, be they arid deserts, untamed wilderness, isolated seashores or remote rain forests. In their place, these people can now point to production plants, power stations, iron and steel mills, and petrochemical complexes—to name but a few of the sweeping changes.

They are also undertaking heavy construction, harbor building, and offshore structural projects. Their seaways boast new vessels, their highways new vehicles, their railways new coaches. Not to mention an all-point proliferation of equipment, multipurpose machinery, and heavy electrical devices.

The people of over 30 nations on 6 continents can indeed be proud to point these out.

But HYUNDAI is prouder still to have been on every site, making each vision the reality it is today. Designing, engineering, manufacturing, and installing—worldwide work by HYUNDAI.

sweeping changes for the better that placed us 78th on the 1979 "Fortune 500" list of top industries outside the U.S.

Each upward step makes HYUNDAI an even more probable solution to ever more problem situations.

To explore how we do it, dial Information for HYUNDAI or call us direct at:

HYUNDAI

The Trading House of the Hyundai Group
Hyundai Corporation
485-1 Sinsa-dong, Kangnam-ku, Seoul, Korea CPO Box: 8943.
Telex: HDCORP K23175/7 Tel: 75-4141/70

- **TOKYO** 03-211/0851/5, MANILA 871480, JAKARTA, SINGAPORE, BANGKOK, HONG KONG, KUALA LUMPUR
- **NEW YORK** 212-695-7810, LOS ANGELES, HOUSTON, SEATTLE, TORONTO, MIAMI, MEXICO, SANTIAGO,
- **LONDON** 01-741-1531, DÜSSELDORF, AMSTERDAM, LAGOS, DACCA,
- **RIYADH** 64739, 69694, QATAR, ABU DHABI, DAMMAM

WHEN YOU NEED A RELIABLE TRADING PARTNER, YOU NEED ICC

"From Footwear to Steel Products"

Although you may not know it, you're probably wearing shoes made by ICC. As the largest and oldest footwear maker in Korea, we have supplied quality footwear the world over and we have steadily grown into one of Korea's major manufacturers and General Trading Companies. With this experience and expertise, we can provide you with top-notch footwear from fashionable dress shoes to snow boots and every style in between. Textiles, finished garments and leather goods are manufactured within our own facilities. Our "bicsound" consumer electronics are of the latest design and technology. Union Steel Mfg. Co., Ltd., a subsidiary of ICC Corporation, enjoys a good reputation in quality iron and steel products. These are but a few of our products and services. We are also one of Korea's major importers of a wide range of products. So, for a lasting trading partner, call any one of our branch offices located in 24 major cities throughout the world. An ICC man is ready to serve YOU!

ICC CORPORATION

#145, Naesoo-dong, Chongro-ku, Seoul, Korea C.P.O. Box 747 Seoul
Cable: ICCCO SEOUL Phone: 771-61, 771-81, 74-5311/6, 72-0156-9
Telex: ICCCO K27251, K26548, K23702

NEW YORK, LOS ANGELES, CHICAGO, HOUSTON, TORONTO, PANAMA CITY, MEXICO CITY, PARIS, LONDON, DUSSELDORF, GOTEBORG, JEDDAH, TEHRAN, KUWAIT, AMMAN, CAIRO, OSAKA, TOKYO, HONG KONG, BANGKOK, JAKARTA, SINGAPORE, MANILA, SYDNEY

negative consequences for growth, though even if it occurred it would very likely not last long. The military would probably see these consequences as negative and, like Park in his initial days in office, would probably move to get out of the way—or be forced to by a society that is now firmly committed to economic growth.

This, of course, is the main point. South Korea as a country is so committed to economic growth that a leader or group of leaders who made growth more difficult to achieve would not be tolerated for very long. The risks are just too high. Every South Korean remains very much aware of the threat from the North, and that threat is severe enough to keep people on their toes—and working hard. There is a conscious feeling throughout the society that any serious faltering could substantially and significantly hurt the future of the country and, by implication, the Korean people. South Koreans believe strongly that continued economic development is the best way to insure security and independence.

Although the new Korean leadership, be it military or civilian, seems unlikely to change significantly the general policies followed by President Park, the exact organization of the government that continues these policies will probably change. As in other Confucian cultures, South Koreans have a concept that a governing party can and should remain in power, virtually indefinitely, based on a "mandate from heaven," unless and until it fails in some extraordinary way. There is no concept that the executive branch of government, or the governing party in the legislative branch, should hand over power to an opposition party or exchange legislative roles with it, as in the United States or in most parliamentary democracies.

President Park's Democratic-Republican party was so successful that its leaders are likely to remain the dominant leaders of the post-Park government, although the name of the party may well be changed in an effort to suggest that a new era has begun. Park's assassination represents an unexpected, though not particularly surprising, outcome to a political system that did not permit conflicts of interest to be reasonably argued out and settled without violence, and many people in the ruling Democratic-Republican party, quite apart from the opposition, want to set up a new system that is demonstrably less authoritarian and hopefully less

The house of Ssangyong stands secure.

When we built Ssangyong we made sure that we stood on a solid foundation. Cement, electricity, chemical manufacturing . . . . These are the building blocks of a modern industrial society. Through our dependability and the quality of our products, we have contributed to Korea's progress. But we haven't stopped there. Now you will find us in more than a dozen enterprises . . . . electronics, light and heavy industries, construction, engineering, service industries, universities, and broadcasting, while sponsoring academic and cultural foundations. We export diesel engines, cars, motorcycles, golf clubs, crystal and glassware, electronic toys, electronic calculators . . . . and much more. Customers from six continents have come to rely on us. Try us. You will agree.

SSANG YONG SSANGYONG

• SSANGYONG CEMENT INDUSTRIAL CO. LTD • SSANGYONG CORPORATION • KOREA IRAN PETROLEUM CO. LTD • SSANGYONG SHIPPING CO LTD • SSANGYONG PAPER CO LTD • THE KORYO FIRE & MARINE INSURANCE CO LTD • SSANGYONG CONSTRUCTION CO. LTD • SSANGYONG ENGINEERING CO. LTD • SSANGYONG HEAVY INDUSTRY CO LTD • SSANGYONG ELECTRIC INDUSTRIAL CO. LTD • SSANGYONG SILK CO., LTD • SUNGLEE MACHINERY WORKS LTD • SUNGLEE ELECTRONICS CO. LTD • SSANGYONG TRANSPORT CO LTD • ORIENT PRESS • DAEGU MUNWHA BROADCASTING CO LTD • KOOKMIN UNIVERSITY

Head Office Ssangyong Bldg 24 1 Jeo dong 2 ga Jung gu, Seoul Korea C P O Box 409 SEOUL Phone 266 5151 261 6081 267 3151 Cable TWINDRA SEOUL Telex TWINDRA K24270 K28215 K28442

CATCH THE WIND AND SOAR WITH THE COMMERCIAL BANK OF KOREA

In some moods and in certain settings, Korea is still the lyrical "Land of Morning Calm." But throughout the past twenty years it has also caught the wind of progress and taken off as a country of down-to-dusk dynamism. One that now aims for ever higher goals in the '80s ahead.

Keeping the soaring benefits of this take-off in sight, in reach, and well under your control is Korea's oldest and largest commercial bank. Since we're an international financial institution with a worldwide network tied right into the Korean scene, we can outserve them all when it comes to helping you do business with Korea—"The Land of All-day Dynamism."

THE COMMERCIAL BANK OF KOREA
한 국 상 업 은 행

HEAD OFFICE
111-1, 2-ka, Namdaemun-ro, Chung-ku, Seoul, Korea
P.O. Box Central 126 Cable: COMBANK SEOUL
Telex: K24611/6 Tel: 771-30 28-7271/5, 28-4275/9

Overseas Network
NEW YORK AGENCY
LOS ANGELES AGENCY
LONDON BRANCH
TOKYO REPRESENTATIVE OFFICE
HONG KONG REPRESENTATIVE OFFICE
SINGAPORE REPRESENTATIVE OFFICE
CHICAGO REPRESENTATIVE OFFICE

rigid politically than President Park's system. But this does not mean that the South Koreans will institute immediately full-scale parliamentary or presidential democracy. Indeed if some of the generals have their way the system may end up by moving in the other direction — at least initially.

Many Americans see President Park's assassination, however objectionable and tragic, as a chance for South Koreans to develop a Western-style democracy. One may well doubt, however, whether South Korea is ready for such a change. It probably takes a higher level of prosperity, safety and self assurance, as well as further economic, political, and social development, to permit democracy to work effectively in this particular country. The authoritarian system as developed under President Park always had elements of democracy built into it, and with his death, these elements will probably increase somewhat — even in the event of a military takeover, at least eventually. But it is still far from clear that a Western style democracy would ever be appropriate for a neo-Confucian society like Korea, where authority, hierarchy, social harmony, paternalism and communality are stressed more than individualism, arms length transactions, and bitter and divisive political contests.

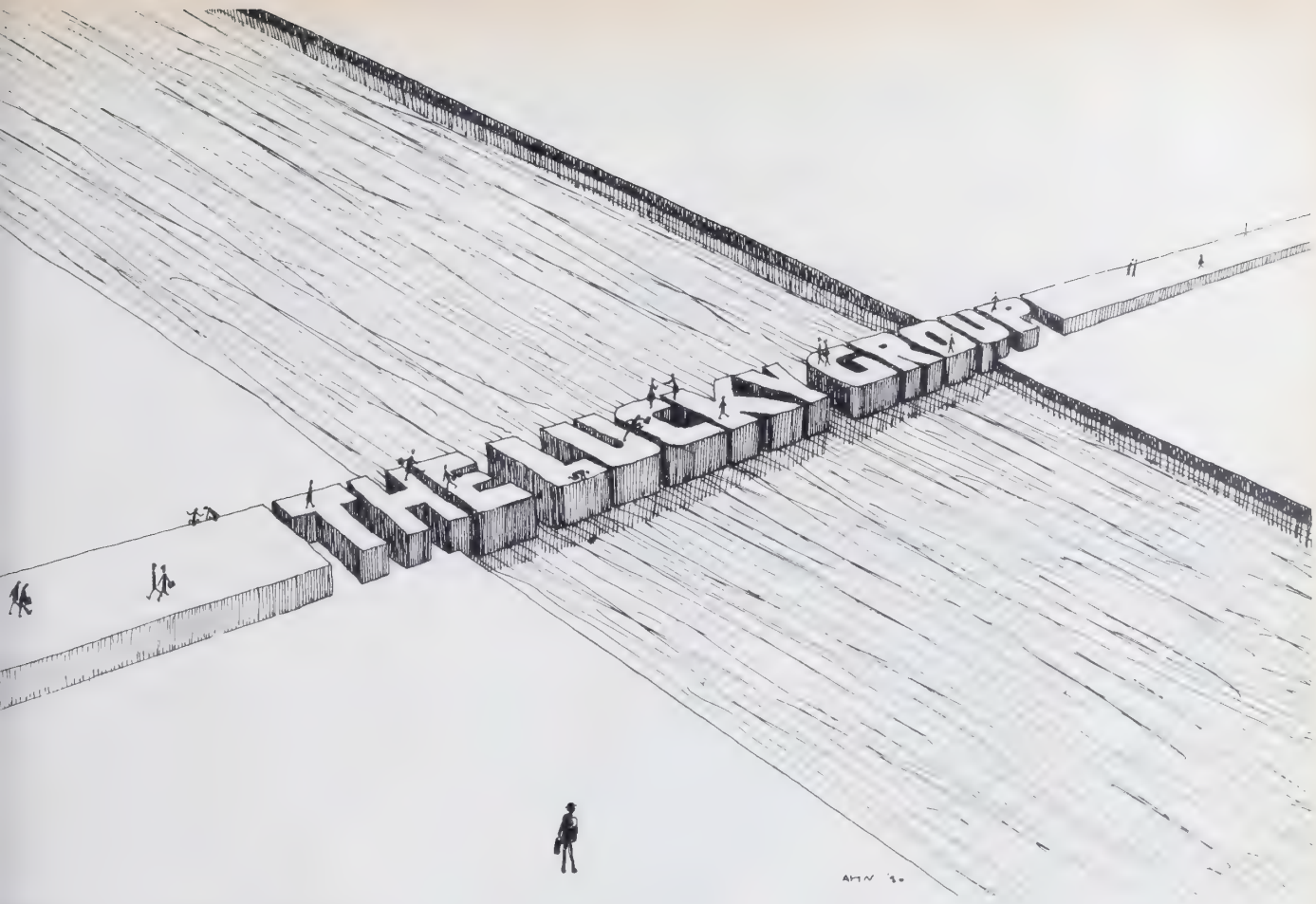
RELATIVELY FREE

When measured against conditions prevailing in other developing countries, and certainly when measured against conditions in North Korea, South Korea has permitted itself an extraordinary degree of freedom. The country supports seven national newspapers, two major and several minor political parties, and perhaps more private and civic organizations per capita than any other developing nation. As authoritarian nations go, South Korea has a high degree of freedom of speech, complete freedom of movement within the country (except for sensitive military areas), complete freedom to choose one's job, complete freedom of religion and a relatively high, though limited, freedom of speech and discussion.

In addition, Korea's success at economic growth is creating a stronger social basis for further democracy in the future. There are few other authoritarian countries that would permit private institutions to become as potentially competitive with the government as the large South Korean general trading companies have already become. The crack-down on political dissent that occurred during the final months of President Park's life was perhaps as much a result of his own age and relative isolation, as it was of the repressive character of the Korean government. (He was in recent years, especially after the assassination of his wife, more withdrawn, more dependent on cronies and friends from his youth, and in general less trusting.) Thus, it may turn out from a historical point of view that this was a good time for a transfer of power, and a fortuitous time to change the consititution to permit the direct elections for president and the abolition of the appointed members of the National Assembly.

Still, President Park's policies proved extraordinarily successful. Even if some believe his hand was beginning to falter at the end, his confidence in the long-term value of economic growth as a means of building up South Korean strength and preserving its in-dependence, his willingness to experiment with innovative foreign policies (including detente talks with North Korea), and his (usually well merited) confidence in his own decisions all contributed to the success that South Korea enjoyed. Based on this success, South Korea will probably continue to succeed, even if it suffers from short-term problems. Largely because of the continuing security threat from North Korea, Koreans are unlikely to pick up fashionable anti growth ideas of the sort prevalent in the West and adopted to a surprising extent in Japan. Rather, South Korea is, and will remain, growth-minded for a long time to come. Moreover, it has the basic ability, both economically and socially, to carry through this objective. Thus, Korea will remain an attractive area of investment for foreign companies, and its success should inspire similar efforts in other developing nations, both in the Asia-Pacific region and elsewhere in the Third World.

We are most grateful to Ambassador William H. Gleysteen Jr. and Doctor Herman Kahn for each expressing their own personal views on this subject.



The Lucky Group—your bridge to successful trade with Korea.

When you are separated from your business partner by oceans and continents, and what's worse, by languages and customs, that partner had better be a firm that can help bridge those gaps for you—one that understands your needs and has the communication and distribution networks to respond to them, as well as thoroughgoing managerial experience of working with foreign associates. And it must be a partner that has a flexible repertory of ways of doing things.

In Korea, The Lucky Group is the answer to these problems.

The Lucky Group has a 33-year history of working for better, more efficient business relations among its member companies and with customers at home and partners abroad. Ten of The Lucky Group's members are thriving joint ventures with world-renowned firms.

Add to this a knack for imaginative hard work plus diversification where it counts, and you get phenomenal success. It's proven by our growth of 1,900% in just the past seven years—and remember that the fruits of this success are shared by our foreign partners. Sales for last year alone came to over US$3.8 billion.

The Lucky Group is busy bridging the gaps in such fields as petrochemicals and fine chemicals, electronics and telecommunications, semiconductors, construction and engineering, development of energy resources, marketing and distribution, and research into these and other areas.

To find out how we can help you bridge an ocean for better trade with Korea, write to the Bando Sangsa Co., Ltd., CPO Box 1899, Seoul, Korea; phone 771-32 or 23-9844; cable FOURCLOVER SEOUL; telex BANDO K27266, K27470 SEOUL.

Transforming dreams into reality

THE LUCKY GROUP

☐ Lucky Ltd. ☐ Gold Star Co., Ltd. ☐ Gold Star Cable ☐ Gold Star Tele-Electric ☐ Lucky Continental Carbon ☐ Lucky Development ☐ Gold Star Electric ☐ Hee Sung ☐ Kukje Securities ☐ Gold Star Instrument & Electric ☐ Gold Star Precision Industries ☐ Lucky Petrochemical ☐ Lucky Polychemical ☐ Lucky Engineering ☐ Gold Star Semiconductor ☐ Honam Oil Refinery ☐ Korea Mining & Smelting ☐ Pan Korea Insurance ☐ The Gookje Daily News ☐ Busan Mun-Hwa TV Broadcasting ☐ The Yonam Foundation ☐ Bando Sangsa

The Treasury Department smelled dollars hidden in the accounting cracks. And by Treasury's standards, there's only one good thing to do with dollars: Tax 'em.

Your money or your LIFO

Numbers Game

HIDDEN IN THE ENDLESS con
ities of the Windfall Profit
Act passed by Congress in
is a piece of legislation having noth
do with either oil companies or wi
profits. But it certainly has a lot
with taxes. If it stays on the book
cost corporate America a pretty pe

Here's the background: When a
pany uses LIFO (last in, first ou
counting, its inventories tend to b
derstated because they are valued a
out-of-date costs. Naturally, there
resulting difference—a reserve cush
between the inventory figure state
der LIFO accounting, and the figur
were to be calculated at more cu
costs (FIFO, or first in, first out). A
at the inventory footnote in the a
report for any firm using LIFO r
reveals that difference. One of the
reasons firms use LIFO is that they
have to pay taxes on that cushion.

Predictably, all those untaxed d
looked tempting to the IRS. So, und
new ruling, if a company is liquida
a cash acquisition, say, a tax would
to be paid on the so-called LIFO cu
Naturally, the tax would be paid
corporate tax rate—generally 50%.

But wait. Isn't liquidating some
you do only when you want to str
assets of a company and sell the
piecemeal? Not by a long shot.

Quite often the book value of a
pany being taken over is far less th
real value of the company's assets
unless the acquirer liquidates the
pany he has taken over, he can
depreciate his new possession bas
its old book value; in the major
takeovers, the firm taken over is
dated and then revalued upward.

If this legislation had been in effe
year, here's how it would have w
with the giant takeover of Cutler-
mer by Eaton for $382 million.

Cutler-Hammer's total book valu
stockholders' equity) was $222 mi
So, Eaton liquidated it and revalu
somewhat closer to the purchase
That gave Eaton about $100 milli
additional assets, most of which a
preciable. Great. But CH calculated
of its inventories under LIFO—at
$28 million less than they would
been had the firm used FIFO. Und
new law, this difference woul
taxed—at Eaton's 48% tax rat
about $14 million.

Said Eaton Controller Ronald L
"Certainly that would have been a
portant thing to consider becau
would be cash out of your pocket.
have to adjust the offer by the
reserve that you'd have to pay taxe

If Eaton's case doesn't grab you, l
the tax bill Exxon might have been
with when they took over Reliance
tric: It comes to $40 million.

So, the net effect of the new legis

This 250-ton jetliner needs runways that are tough and durable.

IU's International Mill Service is recycling steel slag to build them.

More than 800,000 tons of steel slag provide a solid foundation for the new main runway at Pittsburgh International Airport. The slag was recycled into a durable construction aggregate by International Mill Service, a company that has been serving the world's steelmakers for more than 40 years.

This runway project is a good example of how IMS is meeting steel mills' slag-disposal needs while finding practical and environmentally acceptable uses for the steel industry's by-products. Other uses range from highway construction and railroad ballast to home insulation, masonry materials and body-building equipment.

Today, IMS is performing a broad range of material-handling services at about 70 steel mills in 16 countries and ranks as the leading marketer of steel slag aggregate.

IMS is a growing subsidiary of IU International, a diversified company with interests in transportation, utilities, distribution services, agribusiness and industrial operations that add up to $2.6 billion in annual revenues.

For more information about our steel mill services, write Jack Bayer, President, International Mill Service, 1500 Walnut Street, Philadelphia, PA 19102.

To learn more about IU International, write IU Corporate Affairs at the same address.

IU International

It takes more than exercise to keep a man healthy.

It takes competent medical care. And the support of America's highly sophisticated health care industry.

Including O-I's Kimble Division. Kimble means precision in labware for hospitals, schools, clinics, research labs. Wherever scientists need to be exact, we have exactly what they need.

We Pass The Test

Kimble also means reliability in health care packaging essential to so many medical procedures. Items such as vials, ampules and syringes used in blood analysis and inoculations.

Saving Lives Is Our Business

Health care is a growth area for O-I in other product lines, too.

Child resistant closures, which we helped to develop, have been credited with a 51 percent drop in childhood fatalities related to accidental poisonings.

Our Clic-Loc® closures help keep kids out of containers for vitamins with iron, household chemicals and oral prescriptions.

Chances are your next prescription will come in an O-I package.

High quality drug and prescription containers and child resistant closures are all part of the O-I package.

We produce prescription containers for the pharmacy as well as glass and plastic containers for the pharmaceutical industry.

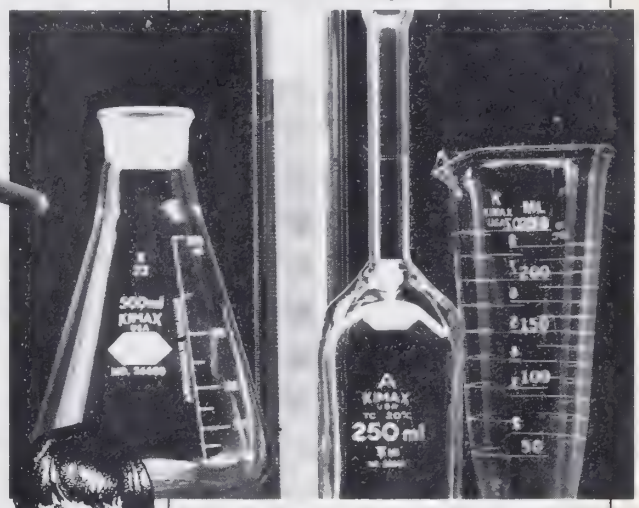
A Healthier World

O-I also leads in health care packaging in Europe, Latin America and the Far East.

For example, we organized a new Indonesian company in 1977 to supply that area of the globe.

It's staffed by Indonesians who were trained by Kimble in the United States and our Buender Glas affiliate in Germany.

Kimble labware products are vital to tests used in diagnostic exams.



International cooperation like this, we believe, can only make the world a lot healthier place to live.

A world of better health. We're working on it on four continents.

We have what it takes.

OWENS-ILLINOIS

Toledo, Ohio 43666

GE Solar Technology. It's sniffing out oil from over 500 miles away.

When geologists wanted to find oil in Wyoming, they looked to the sky.

Five hundred miles into space.

Five hundred miles away, a satellite circles the earth. This satellite called LANDSAT was built for NASA by General Electric.

It's totally powered by the sun. It was designed by GE to make the most efficient use of the sun's energy.

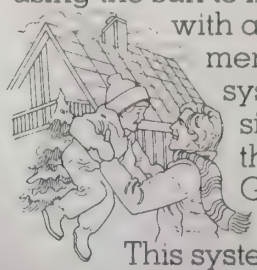
LANDSAT covers the entire country, sending back incredibly sharp, detailed pictures of the earth. Among many things, these pictures are being used to measure crop sizes, flood damage, population density.

In Wyoming, trained geologists used these pictures to predict the most likely places to drill for oil. The result? They struck oil on eleven out of eleven tries.

This is just one of the ways GE is using solar technology to put the sun's energy to work on earth.

Solar technology from east to west.

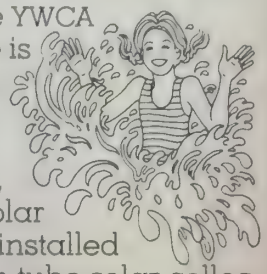
A Poughkeepsie family is using the sun to keep warm with an experimental heating system designed with the help of GE solar technology.



This system uses solar panels to provide most of the heat. But on cloudy days, efficient GE heat pumps switch on automatically to fill the gap.

The system is so efficient, this family spent 40% to 75% less for energy than they would have with ordinary heating systems.

On the other side of the country, the YWCA in Spokane is keeping its swimming pool open year round, thanks to solar heat. They installed GE vacuum tube solar collectors on the roof. This gives them a steady flow of warm water at a fraction of the operating cost of conventional systems.



From the oil fields of Wyoming to the YWCA pool in Spokane, GE solar technology is working for people. It's only one of the many technologies that are helping GE make progress.

Progress for People

GENERAL ELECTRIC

be to make it more expensive to take companies that use LIFO. Since will drive down the price offered, nately it's the shareholders who will the tax. Naturally.

id Sidney Wasser, controller of $273 ion Ampco-Pittsburgh Corp., a met-products manufacturer which last acquired Pittsburgh Forgings Co., e whole idea of using LIFO was as a f for business to keep pace with in-on and not recognize profits which eally inventory profits based on an tion rate. It's really an unfair provi-to tax that kind of profit."

en more upsetting is that the rule tax accrued LIFO cushions. That is, company went to LIFO 20 years ago is liquidated now, the tax would be ied to the entire cushion accumulat-ver 20 years—not just the amount ued after the bill goes into effect. t, in effect, is ex post facto legisla-—new law affecting past events. erally, that kind of thing isn't smiled y the courts.

ow did this piece of deviltry get into Windfall Profits Act, of all places, and get passed? Well, Capitol Hill scut-utt has it that the Treasury Depart-t was able to persuade Congress to the thing on, knowing fully that too y reputations were riding on the dfall Profits Act to waste much time bbling about this seemingly insig-ant provision.

nd besides, how many congressmen y could define LIFO, much less deal a bill dependent on that under-ding? Said one accountant who re-ted anonymity: "Up until Wilbur s jumped into the water, no tax bill ed through Congress that didn't e out of the Ways & Means Commit-where they understood such things. t's not the case anymore."

rtunately, a fair number of accoun-s and controllers noticed the provi-and raised a ruckus. Typical was cis M. Gaffney, national tax director Main Hurdman & Cranstoun. "We don't think it was right to pass it out any opportunity to comment."

on M. Nad, the tax partner at Price erhouse, adds, "I think it's a very rtunate addition to the tax code that Treasury obtained through the back . We're very much opposed to it."

the face of such dissent, Congress made a significant concession to the nents of the rule: It will not go into t until after Dec. 31, 1981. Presum-that will provide time for arguments raised and discussed.

nd though the provision may sur-there's a good chance that the most ent aspect of it—the fact that it ap-to a company's LIFO cushion as sed prior to the bill—may be cut. that's as it should be.

Numbers Game

You betcha!

THE FIRST LINE of a new text, *An Introduction to Financial Accounting* by Charles J. Woelfel: "You probably approach the study of accounting with enthusiasm and awe."

At long last light?

IF THE STAFF of the Securities & Exchange Commission has its way, the "Dear Shareholder" letters in corporate annual reports will all have a good deal more substance next year. "We are making changes now in financial reporting that are the most dramatic of any in the last 40 years," says Michael Connell, a staff member with the SEC.

Connell's superlative refers to a set of corporate reporting changes of which the most important is a drastic change in the scope and format of companies' annual reports and 10-Ks. The gist of the change is to make the annual report a central—and complete—document for all but the most technically oriented reader. The days of having to ferret out information about capital needs from a 10-K, for example, may finally be over.

The proposed changes will add information and provide more historical perspective. But the most important addition to the annual will be a far more detailed letter from management. Says Connell, "The new management letter will discuss changes in a company's financial condition in their entirety and will specifically require registrants to focus upon liquidity and capital resources in addition to income."

Whatever used to appear in both the annual and the 10-K will only be shown in the annual. The 10-K will be a lot skinnier than it is now, containing only supplementary information of concern to a minority of readers, like details about properties owned.

The new management letter should help readers detect problems with companies much more easily than in the past. Take Chrysler. Under the new system, management must discuss liquidity and cash flow in depth. In theory, Chrysler had plenty of assets, not least a lot of unsold cars. In fact, it was—and is—no easy matter to sell those cars to pay its debts. Now Chrysler management would clearly have to admit that it might have trouble selling its leftover cars to pay its debt.

A number of companies aren't thrilled about the idea of having to file their annual report with the SEC. Said John C. Jacobsen, controller of Shell Oil Co., "I'm very concerned that this will turn the annual report into something that will look like the 10-K does now. If people have to file their annuals with the SEC, the management letter will tend to become more defensive and use more legalistic jargon."

A statement aiming only at accuracy and adequacy doesn't necessarily result in its being written in legalese. But Jacobsen may have a point nevertheless: It's no easy matter to keep lawyers out of anything these days.

Some accountants also are upset by the new proposals. Says Jim Vaughn, manager with Big Eight firm Deloitte Haskins & Sells: "We are concerned that it would be too highly structured. We need flexibility in making disclosure."

Of course, if flexibility means freedom not to disclose, then the SEC is to be applauded for cutting down on flexibility. But if it means interfering in the methods used to disclose . . . well, the SEC insists it has no intention of doing anything like that.

Another specific requirement which has received much attention is a proposed rule that would make a firm's directors sign the annual and 10-K. This would allow companies to turn out prospectuses more quickly and cheaply, because all the information needed could already be found in the annual report. Only the information about the particular securities offering, say, would have to be added.

But corporate directors are fearful that putting their signature on documents would increase their liability. Connell: "That's just not the case. They already have the responsibility for the information whether or not they've signed it."

Concluding, Connell jokes, "Even if it's a total failure, at least we'll save paper." But the fact is that this proposal has significance far beyond the good or evil it will do to corporate reporting. This move can be clearly seen as the most sweeping assertion of the SEC's authority over corporate reporting since the mid-Thirties, when the first reporting rules were established.

The management letter will become the single most important piece of reporting done by any company. And that management letter isn't audited by the accountants. No, the only control over its adequacy and accuracy will be in the SEC. That's power.

Through a rearview mirror, starkly

WHY DID DURABLE GOODS inventories rise much more quickly in 1979 than in 1974, when the country was racked by a severe recession? And why are all manufacturing inventories now about 3% higher in relation to sales than they were at the end of 1973—the precipice before

The Art of Industry:
A Dividend of Corporate Presitge

Corporate art collections are a specialty of Berry-Hill Galleries, which maintains a large inventory of American and European works of art pertinent to commerce and industry. For further information on the art of *your* industry, contact Frederick D. Hill at

Berry-Hill Galleries, Inc.

743 Fifth Avenue, New York, N.Y. 10022 • (212) 371-6777

George Henry Hall (1825-1913) *The Turner's Shop* Oil on canvas, 35 x 47½ inches, Signed and dated: *Geo. Henry Hall 1880.*

NATURALLY FORTIFIED

Nebraska is a beautiful way to a better bottom line. We have many transplanted plant managers from the East Coast, West Coast and Sunbelt who are captivated by Nebraska's natural resources and scenic attractions. This ***land for all seasons*** has the variety to spice up life. And, our outgoing, out-of-doors lifestyle contributes to a healthy worker outlook. So, if ***quality of life*** makes good management sense to you, come to Nebraska and profit from an invigorating business climate that is naturally fortified.

Call or write Chuck Elliott, C.I.D., Department of Economic Development, P.O. Box 94762, 767 State Capitol, Lincoln, Nebraska 68509, Phone (402) 471-3111.

Nebraska...It Works!

Numbers Game

the beginning of the last recession?

One important contributor to t frightening signs is the LIFO (last in, out) illusion. Illusion? Aren't you posed to use LIFO—which matches est, therefore, presumably, highe costs against current revenues, the avoiding exaggeration of earnings i inflationary period?

Well, yes. But according to David lemann, a partner at Arthur Anderse Co., a number of companies are b misled by this prudent accounting t nique. After all, on the balance sh inventories under LIFO are valued at est costs. Given high inflation, w keeps pushing those costs up, thos ventories soon get to look far che than they really are. It's like dri while looking in a rearview mirror. cars in back of you look small, b traffic slows down a bit—crash!

Let's take a company—call it A matic Widget—and see what's hap ing: In 1973 Widget was valuing it ventories at FIFO (first in, first ou had, say, $10 million in inventories $20 million in sales. A 1-to-2 ratio. I 1974-75 recession, Widget was hurt ly. Too many widgets on hand anc enough customers. And all the exp of financing and insuring those wi sitting in the warehouse. "Never ag swore Widget's president, "will w inventories get out of hand."

In 1976 Widget started using LIF counteract the effects of inflatio 1979 it showed inventories of $15 lion and sales of $45 million. A 1 ratio. Much better than 1974. Every relaxes.

But if the inventories were valu current market—not understated cause of LIFO—they would come say, $24 million. That's even wor relation to sales than in 1974. Watch Widget. The higher inventory-to ratio, of course, is bad news becau means that it will take longer to those goods in the best of times—a a recession they'll be sitting around longer. The resulting carrying costs terest payments, for instance—ca horrendous.

How can manufacturers be le themselves in for such problems? N mann explains that too many top e tives have been lulled into thinkin inventory control could be reduce science—and left to others to about. "But," he says, "they've dep too much on computer technique tend to be managed more by m management personnel. Not er companies have their top manage spending sufficient time in the a sales and production planning. that's dangerous."—*Richard Greene*

The Estate of William F. Harrah

has sold its 70% ownership interest in

Harrah's

which has been acquired through merger by

Holiday Inns, Inc.

The undersigned acted as financial advisor to
the Estate of William F. Harrah
and assisted in the negotiations in this transaction.

DEAN WITTER REYNOLDS INC.

March 4, 1980

Seven years ago little Metex Corp. gambled everything on a sin automotive product and hit the jackpot. But can it happen again?

"Lightning strikes repeatedly!"

The Up-And-Comers

Albert H. Cohen of Metex
"All I had was two handshakes and two telegrams."

THERE WAS A ROLL of toilet pap the boardroom table when eight directors of little Ed N.J.-based Metex Corp. met for the 1973 annual meeting. That was all. were the usual notepads, pencils, c and Danish.

The directors were mystified, M President Al Cohen recalls. "So I them why the toilet paper was th said, 'Because when I tell you what company is going to do next year, might need it!' "

Then Cohen walked over to the b board and quickly charted the comp projected sales volume. From 1973's million level the line shot abruptly ward at about a 70-degree angle, hi the $13 million mark, and the $15 lion mark two years out. Cohen cou that optimistic because the new e sion control laws were about to Detroit to put catalytic converter their cars and, as luck would have it only thing that would prevent Ford Chrysler's converters from being bl right out of the tailpipe was Metex ted-wire mesh, specially crimped t as a sort of spring.

Never had Metex dreamed of havi big a market. Born in the Twenties producer of knitted-copper scouring for the kitchen, the company had acquired by General Cable in 1957. years later a neglected little ($200 sales) part of the industrial-products sion—mainly insulation for electr equipment—was sold off to a man turer's rep named Jules Bressler. Bre hoped that the division's product r ager, an analytical chemist named A hen, could open up big new markets

Cohen says he was so raw at the that he didn't even think to ask f equity stake in the company along the chief executive's title—today owns just 7% of Metex common. A en years later, when he put toilet p on the boardroom table, Cohen hadn't set the world afire. After se

Freedom Of Choice

Choosing All-Steel furniture is only the first of many choices.

All-Steel makes complete lines of components for today's office. But you make the choices about how and when to introduce them into your office plan.

You see, our 8000 Series components are compatible not only with each other, but also with your existing contemporary office furniture. So you're not limited to an all-or-nothing choice.

You can retain as much of your traditional-office plan as you wish. Simply introduce All-Steel 8000 Series components a few at a time.

Choose from a variety of distinctive styles... a variety of panel sizes and components... a variety of fabrics, colors, textures, wiring and communications capabilities. Choose only what you need to serve your [illegible].

Discover all the choices that can be yours when you choose All-Steel. Call Wayne Wilkins at 312/859-2000, or write for our new 8000 Series Systems Furniture brochure. All-Steel Inc., Aurora, IL 60507.

ALL-STEEL

ONE OF THE GTI COMPANIES

76329

Why the oil & gas industry is turning to Ingersoll-Rand.

Bateman Lake is the kind of place that demands machines built better than they have to be.

The search for oil and gas is moving to more remote locations. This means an increasing need for machinery that can run day and night in the most severe environments.

For example, the Ingersoll-Rand compressor at Bateman Lake is visited by more alligators than people.

Sitting in the middle of a bayou in Louisiana, our rotary engine-driven compressor ran for more than two years before any major maintenance was required. Its assignment: to compress natural gas for pipeline transportation.

It's not an easy place to operate. In summer, it's like a steam bath. Winter brings fog and rain. Floods and insects arrive in the spring.

It's also not an easy place to visit. Roads in this area sometimes sink into the swamp. So a boat trip is about the best you can do.

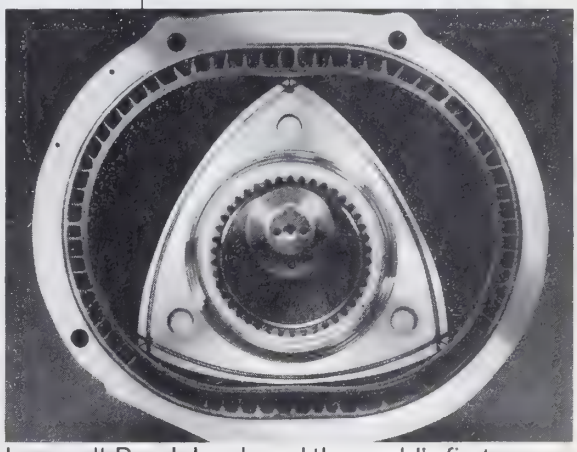
As a result, we have to make sure our machinery can pretty much take care of itself.

Ingersoll-Rand manufactures a wide variety of machinery to meet the world's expanding energy needs.

Our compressors are forcing oil up from the North Sea. Our pumps are moving sea water to repressurize oil fields in the Middle East. Our drills are finding more natural gas in the eastern United States.

Ingersoll-Rand is a $2.5 billion worldwide company producing compressors, pumps, engines, bearings, hand tools and other equipment for growth markets.

Our manufacturing philosophy is the same for a simple or a complex machine destined for a steamy bayou or a frozen construction site. We build our products to weather the worst of conditions.



Ingersoll-Rand developed the world's first industrial rotary engine.

This commitment to engineering means that our people are more demanding of our machines. It also means our customers have a lot more peace of mind.

INGERSOLL-RAND

For a copy of our new annual report, write to Ingersoll-Rand Company, Dept. 108, Woodcliff Lake, NJ 07675.

From capturing thoughts to containing products... Union Camp is part of your life!

Putting thoughts on paper has its own special way of crystallizing ideas and sentiments... and preserving them as well. At Union Camp we produce a variety of papers that can carry heavy thoughts, light verse, or pretty pictures. Not only for stationery but other fine white grades for brochures, booklets, business forms, computer print-outs, posters and more—all created to make communicating easier and more effective.

We help manufacturers make shipping their products easier and more effective, too. With strong, economical corrugated containers. Union Camp is a major manufacturer of boxes for everything from appliances to auto accessories, produce to poultry, footwear to furniture.

At Union Camp helping to transfer thoughts and move merchandise are just two of the ways we're growing!

Union Camp

Union Camp Corporation, 1600 Valley Road, Wayne, New Jersey 07470

Growing in more ways than one.

PAPER · PACKAGING · CHEMICALS · BUILDING PRODUCTS · LAND DEVELOPMENT · RETAILING

trous acquisitions that had loaded ittle company with a substantial ınt of debt, growth and profitability only mediocre. The future seemed ld only an endless succession of tiny alty markets.

t then one of those specialty jobs—a $1,000 order from Engelhard Indus- —suddenly opened a door to the big Engelhard had devised a converter ıctory forklift truck engines using x mesh to hold it in place. With al auto-emission standards in the , Ford Motor tried out Engelhard's aption on a Pinto and proceeded to it out of the tailpipe in less than miles. "A Ford engineer came to ıs at this point," Cohen recalls. ur crap don't work in our car,' he 'What crap?' we ask. 'The stuff you Engelhard,' he says. 'Well, we didn't to them for *cars*,' we reply, 'give us ık.' So then, if you'll pardon a Mafia we went to the mattress. We fur- d an apartment in Detroit and lived until we had the problems solved. sler's turned out to be first. We got problem solved in November and s problem solved in February."

March, just before the annual meet- Cohen found himself face to face a potential $30 million order. *Poten-* That would mean investing an ınt equal to roughly twice the net ı of his company with virtually no ntees from Detroit. But Cohen ed it. He might never get another ce at the big time. "We had to start ing our plant in March 1973 if we going to have product in time for ext model year because it was going e us about a year to get into produc- ' he explains. "All I had was two shakes and two telegrams from Ford Chrysler saying, 'We indemnify you 00,000 for 30 days.' We didn't have tract for another four months from and not for another seven months Chrysler."

start building a plant and buying ment without even a firm order, less a long-term production con- looked foolhardy to the Metex . It was by no means certain just long converter technology would efore being replaced by some other ology. Ford, Chrysler and General rs were all loudly proclaiming how they despised converters. And was to say whether Congress might ust abandon the idea of trying to ate cleaner auto exhaust fumes?

orried?" Cohen asks rhetorically. "I cared to death!"

turally, he tried to be as prudent as an be while clinging for dear life to ack of a Bengal tiger. "We took very ssive writeoff positions," he says. "We wrote off the plant and equipment for that business in three years. We looked at it as a severable plant. If the business went away, the whole plant would just lop right off. The people there were all on the cuff—we had no long-term commitment to them. We'd cannibalize the equipment. Nothing else in the business would change. And we poured all the money we could spare into developing our traditional, nonautomotive businesses. I wanted the rest of the business to have shown a 15%-a-year growth when this automotive windfall ended."

Several months later Cohen landed three-year production contracts as a sole-source supplier to Ford and Chrysler. A year after that he had his new plant running full tilt. The aftermath of the Arab oil boycott brought him back to earth for a while; he shut down in February 1975 and stayed shut almost two months when auto sales slumped. But by 1976 Al Cohen was in heaven. Sales had tripled. Earnings had soared from $370,000 to $2 million, despite writeoffs for the now fully depreciated new plant. Return on equity had jumped to a stunning 41%.

"We should have helped our customers get second sources by licensing our competitors, instead of stonewalling. We forced them to come in at a much lower price, which made our customers feel we were overcharging them. But we weren't because we were taking such enormous risks."

But Wall Street wasn't impressed. Despite the fact that Cohen had switched Metex common from the over-the-counter market to the American Stock Exchange in 1976, its price/earnings multiple never topped a modest 6 times earnings. Why? There was that big question mark in the company's future: What would happen when those production contracts ended? Everyone knows Detroit hates to buy from just one supplier no matter what the part may be.

The warning in Wall Street's crystal ball proved prophetic: By 1978 Metex earnings had been chopped in half as price-cutting competition (the Glitsch subsidiary of Foster Wheeler and Rhode Island's little ACS Industries) entered the market.

Oh, Cohen saw it coming and fought back as best he could. In 1977 he integrated backward to lower his costs, buying used German wire-drawing machines to make some but not all of his wire. "That kept us profitable in the business," he says. "I think we have about $400,000 invested in these machines and we're saving about $300,000 to maybe $700,000 a year." He was shrewd enough not to try to draw all his own wire, however. What if he were forced out of the catalytic-converter business completely? "If I'm integrated fully, and then I don't need the facility—now all of a sudden I've got a hungry mouth to feed. What am I going to do—compete with my suppliers in my other product lines?" he asks.

But Cohen regrets he didn't fight back in ways he didn't think of at the time—ways that involved not fighting at all. "What we learned," he says, "is that when you have an unusual position of being the sole source in a mass-produced industry, you have to manage the change to multiple sources to your best benefit. We should have helped our customers get second sources by licensing our competition instead of stonewalling them. What we did was force our competitors to come in at a very much lower price than us, which made our customers feel we were overcharging them. We really weren't, because we were taking such enormous risks at the outset."

Today about half of Metex' business is still automotive. Part of the reason is that one new product developed with converter profits turned out to be a gasket that prevents leakage of exhaust gases at the juncture of manifold and exhaust pipes on front-wheel-drive cars. Cohen concedes that this heavy dependence on Detroit makes Metex vulnerable at the moment, but he still predicts a slight improvement over last year, when earnings inched back to $1.3 million for a respectable but hardly spectacular 15% return on equity.

In fact he would have had no trouble predicting a significant gain for 1980 if he hadn't outsmarted himself with a sophisticated cash management scheme of his own devising. "Two years ago I developed a program of buying high-grade utility preferred stocks and hedging the interest-rate price movement by selling U.S. T-bond futures," Cohen says, with just a hint of pride in his voice. "Through Dec. 1, 1979 I managed to offset about $350,000 of preferred stock losses with about $340,000 of hedge gains." But since Dec. 1 that hedge has stopped working because preferred stock prices have virtually collapsed. "We're going to have a whopping loss on that program in the first quarter," he says. "I was just too stubborn to admit the program wasn't working any longer."

How could Cohen possibly predict another year of recovering earnings at Metex when the news from Detroit seems to get worse with every passing day? "Because air-pollution standards are changing again for the 1981 model year," Cohen replies. "There's a whole new catalyst technology coming for a three-way catalyst, so you're using more catalyst elements per car. Our first half will be horrible, but in the second half we get

big increments of business from more catalyst usage and more Thermaseals [the new Metex gasket]. If Chrysler is still alive, the K-car comes in and that's 400,000 or 500,000 Thermaseals. GM is going to build more X-cars and other front-wheel-drive cars where our Thermaseal is used. The same for Ford. Pinto and Bobcat are going to be replaced with front-wheel models. I've got another $1 million automotive product our competitors don't even know exists, so I won't talk about it. But I've got the orders for it. Our electronics business is still growing. Our chemical process business might double this year. So knock on wood; we're in pretty damn good shape. You see, we've managed in what looks like a rather mundane business to generate gross profit margins in excess of 40% through our entire product line. So you've got a steep rate of profit growth once you pass break-even."

Of course, in Metex' industry it takes relatively heavy capital spending as well as innovative engineering and product development to achieve and maintain those kinds of margins, and that's another factor depressing Metex earnings lately. Capital spending in recent years has been unusually high. From $470,000 in 1977, Metex' capital spending jumped to $1 million last year. There will be another $1.5 million in spending this year and next. But the payoff can readily be seen in the highly automated machinery the company designs and builds.

Al Cohen's involvement in this aspect of his company goes beyond the usual pride a chief executive takes in his production line. He cannot resist touching his machines to demonstrate personally how clever they are. "Watch how it shuts itself off automatically if a wire breaks," he says, tugging at a knitted ribbon of mesh churning out of a furiously clicking device. With instant obedience the machine emits one last, reluctant click and falls silent. "See, the machine thinks the wire is broken because I pulled it out of line.

"We've been fighting with this stuff for two years and we're still only doing half a million dollars a year," he says, picking up an air tool muffler. "The trick is to get noise reduction greater than pressure-drop loss. Knitted metal with plastic produces a good tradeoff."

Passing a bank of electronic testing equipment, Cohen explains that Metex is always trying to turn specialty products into standard product lines to expand the market and lower production costs. It's also a way of carrying on the constant, frenetic struggle to stay ahead of the smaller but alert competition, which survives mainly by rushing out less expensive copies of Metex innovations. How long does Metex usually manage to have a product innovation all to itself? "Anywhere from six months to several years," Cohen replies. But to hen the universe is immense. "Al 90% of our product line were deve ments we came up with to solve p lems our customers brought to us, we're still at the point where we c solve all of those," he says briskly. " is a business where lightning strike peatedly! We never know what orde a thousand a year is going to turn another catalyst business.

"Here's something that may be biggest product we've ever come acr he goes on, seemingly swayed by his enthusiasm. "You ready for this? Th a pile-driver pad. You put it between hammer and the pile. The pad last times longer than the best pad avail and drives one-and-a-third feet for e foot you'd drive with a conventional We call it Force 10. See, we don't put the Metex name on it because want to keep our competitors aslee as long as possible."

Al Cohen, who grew up on welfare without a father in Brooklyn's g tough Bedford-Stuyvesant neighborh has other interests at 47. A coupl times a week he writes a colum classical music for the Woodbridge, *News Tribune*, for example. But the no question about where he hopes t for the next 20 years of his life—rig that chief executive's chair at M looking for another gold mine like product that scared his directors ba 1973.—*Geoffrey Smith*

Cohen in his office in Edison, N.J.
"Worried? I was scared to death."

Why Inc. is the magazine for growing companies.

Inc. tackles the problems of running a small to mid-sized business. Each issue is packed with ideas and information that can help you run your business smarter.

ws and Breakthroughs

ke decisions rapidly when you base them on ctual knowledge. Our editors — including e nation's keenest business journalists — and report events that affect your business.

Ideas You Can Use

s, insights. Dealing with people, taking on the on, making the tax laws work *for* you instead nst you. Cutting costs, increasing profits, more work out of your work day. (Some readers n this feature alone is worth the price of the subscription.)

Developing anagement Strategy

ld a management team. The high cost of hiring eap. How (and when) to let go. Getting the outsiders. This regular column brings you the d of bright, up-to-date thinking on small management you just won't find anywhere else

Success Stories

The real stories behind the "P&L's." Meet some of the savviest entrepreneurs in America. Hear about their experiences. You'll learn a lot about your own business. What you're doing right. What you may be doing wrong. What you might consider doing next.

Lessons...from those who've been there

A CEO who couldn't let go. A company founder who found that you get what you pay for when you hire. How the urge to merge paid off for one company. How another fought off a hostile takeover. And how a third survived bankruptcy

Problem Solving

Inc. shows you what to do when things get tough. When a giant invades your territory with lower prices. When you have to go back to your backers for more cash. When a key man leaves for the competition. When a key customer won't — or can't — pay on time. Whatever problems you face, Inc. will help you zero-in on a solid course of action.

Money, Taxes and Financial Management

Financing your growth, finding fresh capital, buying vs. leasing, protecting your income. How to work with (and evaluate) your accounting firm. What your accountant *won't* tell you. And "everyday" decisions you shouldn't make *without* your accountant's advice.

Save $12 when ou subscribe to Inc.

C.—fuel for action, just food for thought

No-Risk Trial Subscription Offer

Please enter my subscription to Inc. Send me the next 12 monthly issues at the special trial rate of $12.00, which is 50% off the single copy rate.

I understand I owe nothing if I am not completely satisfied. If Inc. doesn't come through with the help I'm looking for, I may simply write "cancel" on my subscription invoice and owe no money. Even after I have paid, I may still cancel my subscription and receive a full refund of 100% of the trial subscription price.

Name_____ Title_____

Company_____ ☐ Home ☐ Company

Address_____

City_____ State_____ Zip_____

☐ Bill Me ☐ Bill My Company sfrbm5c

Who to pay first when money is tight

... and how to insure you're first to get paid. Those are the kind of hard-nosed problems you face when you run a growing company. Inc. Magazine can help. Each issue is packed with "how-to" ideas and "hands-on" advice you just won't find anywhere else. Advice like

- How to attract the best people—*without* outbidding the competition.
- What you should ask yourself *before* you take on a partner.
- How *not* to ask a banker for a loan. And how to ask again.
- "Why I fired my first three lawyers—and how I found a great one."
- Ingenious (but legal) tax strategies your accountant should have told you about.
- Six ways to raise money you've probably overlooked.
- Ten sure-fire tips on evaluating job applicants.
- The high cost of hiring too cheap.
- Executive pay: What's the take at the top?

Inc. stands head and shoulders above any other business publication that crosses our desks.
Jules Leni, President
Comprehensive Video Supply Corp.

...an invaluable source of information. You are filling an important gap.
Joseph P. Kurtz, Jr., President
PRojects

It's helpful to know what's working for others in similar situations. Specifically, how they're dealing with inflation, expanding sales, increasing profits
Martin Brusse, President
Rocky Mountain Orthodontics

When a new issue arrives, I read it from cover to cover. Then I tear it apart. I'll send an article to my attorney, another to my advertising agency, another to our sales manager, and another will go into my own personal management file. It's a useful tool.
Bob Canarick, V.P. Finance
The Elizabeth Agency Group.

- Mergers: What the groom should *always* kno about the bride *before* the wedding.
- Surviving bankruptcy: "We told the judge we could save our company."
- All the things you probably never thought of leasing. But probably should consider now.
- How to hedge against soaring interest rates.

NO POSTAGE NECESSARY IF MAILED IN THE UNITED STATES

BUSINESS REPLY CARD
FIRST CLASS PERMIT NO. 2 WHITINSVILLE, MASSACHUSETTS

POSTAGE WILL BE PAID BY ADDRESSEE:

Inc.
Subscription Service Dept.
P.O. Box 800
Whitinsville, MA 01588

NO-RISK TRI SUBSCRIPTI OFFER

Try Inc. for yourself—at *our* risk. save 50% off the single copy rate Simply enter your name and addre on the reverse side of this card an mail today. If you don't agree that lives up to its promise, you may c your subscription at any time. We promptly refund the *full* price of y subscription.

Inc.

fuel for action, not just food for thou

b

w a shrewd Texas insurance magnate rplayed his hand and ended up getting ced by some Tennessee bond hucksters.

Bob Moody and the HOGS

By Howard Rudnitsky with Tedd A. Cohen

WHILE TOTAL COMPANY RESULTS may not equal the records set in 1978, company management pates satisfactory overall results for ear." Ho hum! Who would bother to much farther? The dull drone of deliberately vague language is all too iar to investors. It tells them little. beware! The sentence above is d verbatim from a midyear report d last August, and it should have a red flag for stockholders of Austin, based National Western Life Insur- Co. Fast-growing National Western heading for a disaster that was to le its stock from as high as 9⅝ last o a recent 3½.

ay not equal. . . ." It was an under- nent, to put it charitably.

tional Western will probably suffer a down of stockholders' equity from illion to a little over $15 million in han a year and it is negotiating to ure life policies to produce addition- plus for policyholders. It could all to stockholder suits, an investiga- y regulatory authorities and a belat- nclean opinion by Peat, Marwick, ell & Co., National's auditors.

one sense, National Western was a n of the collapsing bond market. But in one sense. Far worse, it was a n of daringly speculative moves with the approval of the company's r boss, Robert L. Moody, who quiet- signed as National Western chief tive officer in March. Moody has d to talk to FORBES. A wealthy, 45- old entrepreneur, Moody is a mover haker in Texas. In the early Sixties t together National Western with herited life interest in $14 million uilt it up through a score of acquisi- into a $350 million (assets) life in- ce company. Moody now owns of its class A common stock and of its class B stock, which elects two-thirds of the board of directors.

Moody was proud of National Western's record—and as everybody knows, pride often goeth before a fall. Not satisfied with simple insurance company returns, National Western's management had a strategy whereby ordinary investment returns could be leveraged into super-returns. The company would arbitrage against the interest rate curve, borrowing short and investing long. But Moody and his colleagues failed to anticipate that short-term interest rates would rise above long-term rates.

National Western Life head Robert Moody
The high price of daring speculation.

The original idea was simplicity itself. If long-term government bonds yielded 8.5% and could be used as collateral for short-term loans at, say, 7.5%, a company could leverage its returns. It would work like this: You would buy, say, $1 million in government bonds yielding 8.5%, and borrow $900,000 against them, reducing your net investment to $100,000. Your total interest yield would be $85,000 a year but your interest costs would be only $67,500. Thus on a net investment of $100,000 you would be earning $17,500. Figure it out: 17.5% on your money without investing in anything more speculative than government bonds. On top of this, if interest rates declined—which Moody and associates apparently expected—there would be a nicely leveraged capital gain as well. Nice work if you can get it.

Out of total assets of $424 million, National Western carried $150 million in GNMA and other government bonds thus leveraged. Unfortunately, short-term interest rates began rising faster than long-term. Instead of making a profit, National Western started showing a loss. In the parlance of the bond trade, its "carry" had turned negative. Starting in the second half of 1979, as short-term interest rates began first to creep upward and then take wing, the cost of carrying the margined bonds became increasingly greater than the income that holding them generated. The negative carry, by early 1980, was running well over a $2 million annual rate.

But the negative carry wasn't the whole story. Moody had compounded his risk by buying his bonds with one regional brokerage firm instead of spreading purchases among a number of firms, as he had done previously.

Why? Probably Moody thought that by becoming an important customer of Houston broker Hibbard & O'Connor Government Securities (a subsidiary of Hibbard, O'Connor & Weeks), he would get preferential deals. What Moody did not know was that the firm was losing millions of dollars. Moody was persuaded to put National Western funds into the aptly acronymed HOGS. Between November 1978 and May 1979 Moody apparently invested $4.2 million in HOGS on behalf of both National Western and the 4-M Co., a family trust he managed. At first he invested only $1 million but soon was throwing good money after bad. The lure? An annualized interest rate of 26% when the prime lending rate ranged from 10.5% to 11.75%. Perhaps Moody felt he was taking advantage of one of HOGS' borrower's temporary difficulty to earn a high return; in fact, HOGS was taking him to the cleaners, the SEC alleges.

What was HOGS doing with the money? Essentially the same as National Western and Moody: betting on an upturn in the bond market. But as the bond market continued to run against it, HOGS apparently used already-margined securities belonging to National Western and 4-M as its own capital.

Last Memorial Day weekend, the SEC says, HOGS' bosses met with Moody to break the bad news. They had been defrauding him, one of their best customers. Their message boiled down to this:

Moody and his company were no longer HOGS' creditors; they were now HOGS' partners. If HOGS failed, the Moody outfits would have to pay the brokerage firm's debts in order to redeem their own securities. Cornered, Moody agreed to lend HOGS a fresh $5.1 million.

Alas, the bond market kept descending. By late last summer, the game was up. To keep HOGS afloat, Moody agreed in September to convert National Western's loans, totaling some $8 million, into HOGS equity. Moody then wrote that investment down to $2.2 million. The SEC is suing HOGS and its former managers for fraud and the government agency is counting heavily on winning to help push Congress into regulating the U.S. government securities industry.

In retrospect it is hard to understand why Moody put himself in bed with HOGS. He should have known that HOGS' parent, Houston-based Hibbard, O'Connor & Weeks, had a somewhat shady past. Started in Memphis, Tenn. in 1967, it moved to Houston just as the Tennessee Municipal Securities Board was set up to crack down on fraudulent municipal bond dealers. In Houston it continued high-pressure sales tactics, concentrating on selling municipal bonds to small-town banks and institutions—customers who, as one investigator put it, "are not likely to complain if they get screwed." In 1976, after discus-

What's one insurance company more or less?

Now that Robert L. Moody has relinquished his job as CEO of Natio Western, don't worry that he will be reduced to a life of coupon-clipp indolence. His family background virtually guarantees that he won't.

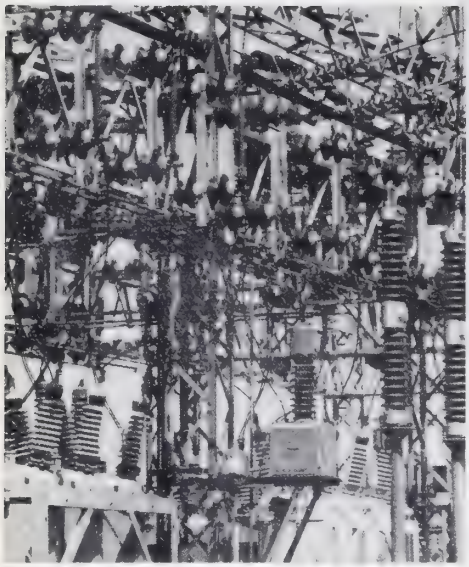
Quite a background it is. The Moodys, who came to Texas from Virginia j before the Civil War, when nearby Houston was a piddling cow town, are on three families that have dominated Galveston, Tex. for over a century. (T other two are the Sealys and the Kempners.) One of many accretions to Moody fortune over decades was control of huge ($2.5 billion assets, $ million equity) American National Insurance Co. of Galveston, founded in 19 by Robert Moody's now deceased grandfather William.

American National is controlled mainly through little ($85 million asse Moody National Bank of Galveston, which, as trustee for various trusts set by William Moody and his wife, votes nearly 12 million of American Nation 31 million shares. The only other large holder is the Moody Foundation, w 7.7 million shares. The bank trusts plus the foundation thus have 64% contr

And Robert Moody? Back in late 1978 he persuaded the foundation—w approval by a Texas court—to sell him the foundation's 51% block of Mo National Bank shares for $4.6 million. A year before, he had urged his au Mary Moody Northen, then 86, to name his brother Shearn Moody as one three foundation trustees when a spot opened. So through the bank Rob Moody now controls the largest American National block, while with brother Shearn he controls the foundation with the second largest block.

True, a condition was attached to the foundation's sale of the Mo National Bank stock to Robert Moody: The foundation retained the right vote the shares until mid-1984. But does that matter, when Robert Moody a effectively controls the foundation? As American National's proxy statem issued last month indicates, "Robert Moody now exercises effective contro such bank." And, it might have added, effective control of American Natior So nothing is lost but pride now that he is not National Western CEO.—*H.R*

Energy - Water - Food - Chemicals -



Electric energy

Fuel for transportation

Potable water

Air conditioning for comfort and high produ

; with the Texas State Securities d, the SEC moved in and ordered an nistrative proceeding against the nt firm and several employees. ng the allegations were: fraudulent omer transactions, conducting inter- business without registering and tion of reporting requirements. The erage firm was allowed to settle, but ner Philip S. Hibbard was barred for a from associating with any regis- broker or dealer. Hibbard sold out 75 and now sells burglar alarm sys- in Houston. John M.L. Osborne, ard, O'Connor & Weeks' former dent and CEO, now being sued by the was suspended for 60 days but was back in business. Osborne is, accord- o Houston competitors, an expert on hard sell. One dealer claims that S' sales manager would tack $100 on a board as a reward to the first man (the best made over $400,000 a to unload a particular series of bonds. 77, Osborne's first year as president, ncome jumped 75%, to $1.4 million. e newer methods of bond trading, delayed delivery contracts and for- delivery of GNMA securities, d an excellent sales tool for HOGS' salesmen. Many took the bait—in- ng Moody's National Western and Marion (Ore.) County investment now suing HOGS for negligence in 9 million suit.

The loss of most of the investment in HOGS was bad enough, but meanwhile the negative carry was growing and paper losses on National Western's bond portfolios were mounting. Two months ago, National Western's board said, "Enough." It insisted Moody sell bonds and book some of the paper losses. He unloaded $64 million worth at a loss of $15 million. All told, National Western's equity capital could dwindle from $53 million to an estimated $15 million.

National Western's board said, "Enough." It insisted Moody sell bonds. . . . He unloaded $64 million worth at a loss of $15 million.

With the situation out in the open, National Western's hitherto compliant board finally took the bit in its teeth. In March, Moody relinquished his $200,000-a-year job as chief executive but remained as chairman.

But weep not for Robert L. Moody. He still has a $180,000-a-year pension when he retires and a profit on his National Western stock, which he acquired for well below today's price when he started the company. Moody has other interests, including control of an oil-rig services firm. He owns some 413,000 shares of another large Texas life insurance company, Galveston's American National Life. The Moody family *(see box)* also controls the Moody Foundation (nearly $200 million in assets).

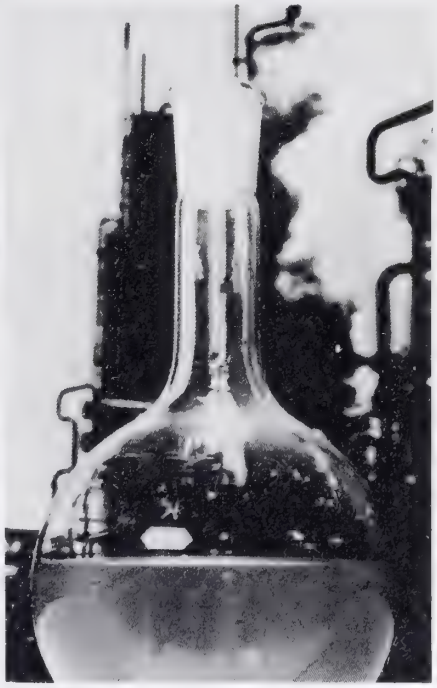
The real victims, then, are National Western's outside shareholders, especially those who have purchased the stock in recent years. Where were National's auditors, Peat, Marwick, Mitchell? Shouldn't they have insisted upon more disclosure in the 1978 annual report? The auditors invoke auditor-client privilege, from which National refused to release them. What about the Colorado insurance division? (National is domiciled in Colorado.) The division's J. Richard Barnes replies: "They didn't do anything wrong. Those government bonds were good assets." He adds, of the whole leveraged bond caper: "A little unusual, but perfectly legal."

Defending his position further, Barnes asks, rhetorically: "What were we supposed to do? Tell them what to do? There's too much regulation in this country already."

Maybe so, but such situations only fuel the demand for more government regulation and supervision of business. And they raise a tough question: How was Moody permitted to create the illusion of having a great growth company without informing shareholders of the huge risks he was taking to make it so? ■

omfort - and Marley

re



Chemicals

Marley doesn't produce or manufacture any of these vital products and services - - - - but Marley is involved. In the intricate operations that result in electricity, drinking water, gasoline, chemicals of all kinds and the very food on your table.

Eight operating subsidiaries provide cooling towers, ground water supply, surface condensers, pumps, high pressure/temperature shell and tube heat exchangers, deaerators, potable water treatment equipment, feedwater heaters — for electric generation, industry, air conditioning, agriculture and municipal use.

All designed, built and serviced with the customer in mind.

For our corporate brochure and more information write to
Corporate Communications,

The Marley Company
5800 Foxridge Drive/P.O. Box 2912
Mission, Kansas 66201 (Kansas City, Mo.)

MARLEY®

People Meeting The Challenge

C-380

Super-Liner

MACK®

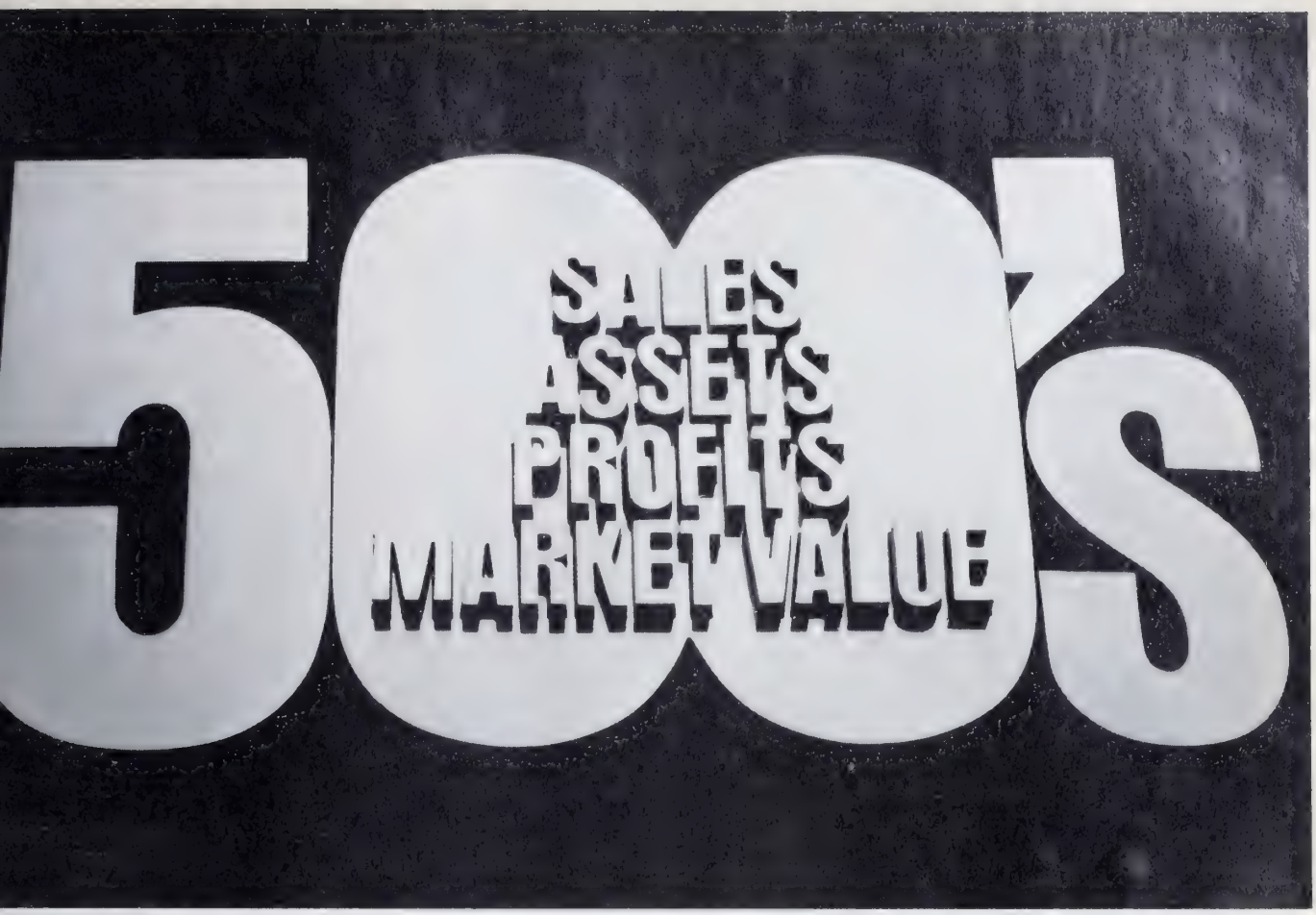
Always the Leader.

Super-Liner® ... the sleek, Western conventional that's taking America by storm.

Across the country, people are beginning to take notice of Super-Liner and realize that Mack has built the ultimate in a heavy-duty truck. Super-Liner offers more standard equipment than ever before, with the functional, yet stylish comfort that increases both driver satisfaction and driver control. Super-Liner's design is clean and eye-catching, with no exterior protrusions for top fuel efficiency and minimal air noise. Yet Super-Liner's sleek shape can still accommodate the high horsepower diesel engines and the radiators to cool them. That means all the power and strength you could ever need, with all the good looks you could ever want, built to last the way you know only a Mack truck will. Mack Super-Liner — showing what leadership is all about.

Mack Trucks, Inc. One of The Signal Companies

©1979 Mack Trucks, Inc.



THE FORBES 500'S

t year, for a change, everything was up for the top 500 U.S. npanies, even the stock market. But the gains, all of them, were nsiderably less than meets the eye.

HAS BEEN AT LEAST SEVERAL YEARS since the major U.S. ompanies—the top 500 in sales, profits, assets and stock arket value—seemed to be marching to the same drum- out last year that was the case, to judge from the percent- creases recorded for each of the four categories as com- with those of the preceding year. The figures:

	1979	1978
Sales	+18.8%	+13.0%
Profits	+22.6	+15.4
Assets	+13.8	+13.1
Market Value	+15.9	+ 3.0

tice the symmetry: The percentage increases for three of ur are fairly close, the only one clearly out of step being . For those who said the stock market was dead, these s are an embarrassing contradiction: Unlike in 1978, stock values increased hardly at all, they rose nearly 16% ear.

e reason why the beautifully symmetric improvement of conomy, as suggested by these figures, is less beautiful t might be is inflation itself, a kind of great leveler that es the value of all dollar figures indiscriminately. With the average rate of inflation last year running at an alarming 11.3%—calculated by taking the rate actually in effect for each month of the year and then averaging the periods—the real value of a dollar of profit in 1979 was not as great as it had been in 1978, and neither was a dollar of sales nor a dollar of stock market value. Factoring out inflation, then, stock prices rose only about 4.6% and the earnings gains over the previous year shrink considerably.

One of the most important drawbacks of inflation is that it continually tends to deceive us in our interpretation of economic statistics. There is a tendency inevitably to look at General Motors' sales gain of nearly 5% measured in dollars as a modest gain—not as the absolute loss that it was when adjusted for 11.3% inflation; and Sears, Roebuck's 0.7% "gain" was, in fact, a disaster.

The FORBES 500s and all such compilations are snapshots that freeze the economy in some past moment. They do not mirror the present—much less predict the recessionary future into which we seem to be heading. Since the year ended to which these statistics apply, the stock market has already given up a major part of its gains, and when the 1980 tally is complete 12 months from now nearly all of the numbers will be down—with the possible exception of the inflation rate.

500's

SALES
ASSETS
PROFITS
MARKET VALUE

THE FORBES SALES 500

The top 500 U.S. public companies taken as a group made credita gains in real sales last year despite the pervasive presence of inflatio But there were orphans aplenty at the feast.

LAST YEAR WAS THE YEAR when inflation became clearly more important than salesmanship in determining the sales of the top 500 U.S. companies. As a group, they reported sales of $1.9 trillion, representing an impressive gain of 18.8% over the $1.6 trillion total for the preceding year. But more than half of that gain resulted from last year's average 11.3% inflation; adjust for that and the real gain in sales was 7.5%. The year before, a dollar gain of 13% adjusted for an average 7.7% inflation yielded a real increase of a bit over 5%.

Even fewer companies—13 *vs.* 24—suffered sales declines last year, the largest being Food Fair, with a 64% dip as a consequence of its partial liquidation. (The biggest decline by a manufacturing company was shown not by Chrysler but by Northrop, whose sales were down 13.5% from halving its F-5 production.) The smallest company on this year's sales list was Zale, with sales of $904 million. Almost surely, it will take $1 billion in sales next year just to make the list.

In sales as in earnings, 1979 was the year of the oil company, with Exxon replacing General Motors as number one and oil companies making up half of the top ten companies. Those top five oil companies racked up sales gains averaging 31% last year, compared with a gain of only 5% for the top five nonoil companies, but that's no surprise.

Rank 1979	Rank 1978	Company	Sales ($000,000)	% Change Over 1978
1	2	**Exxon**	79,107	31.1
2	1	**General Motors**	66,311	4.9
3	4	**American Tel & Tel**	45,408	10.8
4	5	**Mobil**	44,721	28.7
5	3	**Ford Motor**	43,514	1.7

To be sure, oil companies were by no means the only s revenue performers last year. Minerals and trading comp like Engelhard Minerals (up 78%) did very well. So di banks like Citicorp (up 44.3%) and BankAmerica (up 35 counting operating income as equivalent to sales. Bu cannot study the list without being impressed by the nu of major U.S. companies or even entire industries that nowhere near keeping up with inflation. An obvious case auto industry, where Ford could muster a sales gain of 1.7%, and even mighty GM is up under 5%—in an i inflationary economy. Among the big retailers, only worth (up 11.2%) made a really creditable showing. redoubtable Sears had a puny 0.7% sales gain.

Rank 1978	Company	Sales ($000,000)	% Change Over 1978
6	Texaco	38,350	34.1
8	Standard Oil Calif	29,948	28.9
12	Gulf Oil	23,910	32.3
7	Sears Roebuck	23,660	0.7
9	IBM	22,863	8.5
10	General Electric	22,461	14.3
11	Intl Tel & Tel	21,996	13.4
13	Standard Oil Ind	18,610	24.4
22	Engelhard Minerals	18,080	78.0
16	Atlantic Richfield	16,234	32.0
18	Shell Oil	14,431	30.4
15	Safeway Stores	13,718	9.3
19	United States Steel	12,929	17.0
17	K mart	12,859	8.9
23	Conoco	12,648	33.8
21	E I du Pont	12,572	18.8
14	Chrysler	12,002	–11.9
24	Aetna Life & Cas	11,447	21.1
20	J C Penney	11,274	4.0
25	Tenneco	11,209	27.9
30	Citicorp	10,904	44.3
33	Sun Company	10,666	43.6
26	General Tel & Elec	9,958	14.1
46	Occidental Petroleum	9,555	52.8
37	Phillips Petroleum	9,503	35.8
38	BankAmerica	9,450	35.7
27	Procter & Gamble	9,329	15.2
39	Dow Chemical	9,255	34.4
28	Union Carbide	9,177	16.6
45	United Technologies	9,053	44.5
29	Kroger	9,029	15.3
40	Intl Harvester	8,392	25.9
31	Goodyear	8,239	10.0
54	Boeing	8,131	48.8
36	Eastman Kodak	8,028	14.5
57	LTV	7,997	52.0
58	Standard Oil Ohio	7,916	52.3
34	Travelers	7,889	7.8
42	Halliburton	7,766	16.9
35	Caterpillar Tractor	7,613	5.5
49	Union Oil California	7,568	27.1
44	Beatrice Foods	7,468	18.3
43	RCA	7,455	12.9
41	Westinghouse Elec	7,332	10.0
47	Bethlehem Steel	7,137	15.4
62	R J Reynolds Inds	7,133	44.1
50	Xerox	7,027	19.1
48	F W Woolworth	6,785	11.2
64	Amerada Hess	6,770	44.0
51	Esmark	6,743	15.7
32	Great Atl & Pac Tea	6,684	–10.5
70	Marathon Oil	6,681	48.1
59	Ashland Oil	6,474	25.3
52	Kraft	6,433	13.5
66	Cities Service	6,277	34.7

Rank 1979	Rank 1978	Company	Sales ($000,000)	% Change Over 1978
61	60	Monsanto	6,193	23.4
62	53	Rockwell Intl	6,176	9.0
63	61	Philip Morris	6,144	23.7
64	71	Chase Manhattan	6,079	36.3
65	67	Lucky Stores	5,816	24.8
66	55	Federated Dept Stores	5,806	7.4
67	56	General Foods	5,472	1.8
68	65	Minn Mining & Mfg	5,440	16.7
69	69	Household Finance	5,311	16.9
70	78	Gulf & Western Inds	5,288	22.6
71	63	Firestone	5,284	8.3
72	84	McDonnell Douglas	5,279	27.8
73	79	W R Grace	5,267	22.2
74	73	Georgia-Pacific	5,207	18.3
75	80	PepsiCo	5,091	18.4
76	68	Connecticut General	5,090	9.6
77	94	City Investing	5,041	32.9
78	74	Armco	5,035	15.6
79	76	Coca-Cola	4,961	14.4
80	82	Deere	4,933	18.7
81	72	Winn-Dixie Stores	4,931	10.9
82	107	Getty Oil	4,831	37.4
83	87	Alcoa	4,786	18.1
84	104	Consolidated Foods	4,720	33.5
85	75	Greyhound	4,700	8.0
86	85	American Express	4,667	14.2
87	86	Ralston Purina	4,601	13.4
88	95	TRW	4,560	20.4
89	81	INA	4,551	7.7
90	83	International Paper	4,533	9.2
91	88	American Can	4,515	13.4
92	77	Colgate-Palmolive	4,494	4.2
93	93	Weyerhaeuser	4,423	16.4
94	112	Pacific Gas & Elec	4,372	27.3
95	89	Continental Group	4,370	10.8
96	98	Trans World	4,334	17.3
97	115	Allied Chemical	4,332	32.6
98	92	Borden	4,313	13.4
99	102	Signal Companies	4,293	19.1
100	91	Coastal Corp	4,287	11.8
101	217	Charter	4,250	113.2
102	96	National Steel	4,234	12.9
103	133	Iowa Beef Processors	4,216	42.1
104	113	Fedl Natl Mortgage	4,212	26.8
105	108	Johnson & Johnson	4,212	20.4
106	103	Honeywell	4,210	18.7
107	100	Sperry	4,179	14.5
108	99	Litton Industries	4,088	11.9
109	124	General Dynamics	4,060	26.7
110	109	Lockheed	4,058	16.4
111	105	Transamerica	4,045	14.7
112	134	Union Pacific	3,989	34.6
113	110	Republic Steel	3,987	14.6
114	101	Bendix	3,856	5.7
115	126	Southland	3,856	25.3

Rank 1979	Rank 1978	Company	Sales ($000,000)	% Change Over 1978
116	150	Mfrs Hanover	3,847	46.6
117	90	UAL	3,832	–1.5
118	120	Loews	3,831	18.3
119	383	American Stores	3,786	247.4
120	114	American Brands	3,772	14.5
121	106	Jewel Companies	3,764	7.1
122	111	Champion Intl	3,751	7.9
123	117	General Mills	3,745	15.5
124	149	IC Industries	3,735	39.8
125	119	Raytheon	3,728	15.1
126	122	CPC International	3,699	14.8
127	118	CBS	3,670	13.2
128	116	Inland Steel	3,635	11.9
129	168	J P Morgan	3,634	48.5
130	123	Teledyne	3,585	11.3
131	151	Schlumberger	3,550	35.5
132	139	Fluor	3,543	23.6
133	125	Owens-Illinois	3,529	12.7
134	131	Super Valu Stores	3,475	14.6
135	148	United Brands	3,470	27.4
136	129	Dresser Industries	3,457	13.2
137	127	American Home Prod	3,401	11.1
138	121	Textron	3,393	5.0
139	135	Dayton-Hudson	3,385	14.3
140	194	Continental Illinois	3,376	53.4
141	142	Eaton	3,360	20.4
142	132	Consolidated Edison	3,333	10.7
143	130	Foremost-McKesson	3,313	8.6
144	136	FMC	3,307	13.6
145	140	Reynolds Metals	3,305	16.8
146	172	Chemical New York	3,292	36.7
147	128	Continental Corp	3,253	6.3
148	147	American Airlines	3,253	18.9
149	161	Burlington Northern	3,250	28.4
150	145	Control Data	3,250	18.7
151	160	Texas Instruments	3,224	26.4
152	138	Warner-Lambert	3,217	11.8
153	157	Pullman	3,197	23.8
154	144	American Cyanamid	3,187	16.1
155	153	Celanese	3,146	20.6
156	338	J Ray McDermott	3,145	143.1
157	215	Utd Energy Resources	3,134	56.4
158	137	Southern Company	3,128	7.6
159	155	American Motors	3,117	20.6
160	141	PPG Industries	3,092	10.7
161	212	El Paso	3,089	52.1
162	152	NCR	3,003	15.0
163	154	B F Goodrich	2,988	15.2
164	156	May Dept Stores	2,977	15.3
165	213	Texas Eastern	2,944	45.2
166	165	Kaiser Alum & Chem	2,927	18.7
167	159	Boise Cascade	2,917	13.3
168	175	Eastern Air Lines	2,882	21.1
169	252	AMAX	2,865	63.6
170	163	Columbia Gas Sys	2,852	16.1

Rank 1979	Rank 1978	Company	Sales ($000,000)	% Change Over 1978
171	158	Carnation	2,826	9.7
172	173	American Elec Power	2,814	17.8
173	166	Crown Zellerbach	2,804	14.2
174	170	Burroughs	2,785	15.0
175	187	Anheuser-Busch Cos	2,776	22.8
176	188	Dana	2,761	22.6
177	179	Combustion Engnrng	2,758	18.3
178	167	Bristol-Myers	2,753	12.3
179	176	Pfizer	2,746	16.3
180	225	Bankers Trust N Y	2,727	41.8
181	169	Commonwlth Edison	2,721	11.4
182	182	Borg-Warner	2,717	16.8
183	192	Motorola	2,714	22.3
184	174	Norton Simon	2,705	13.7
185	216	Western Bancorp	2,690	34.5
186	209	Kerr-McGee	2,683	29.5
187	171	Burlington Inds	2,676	10.5
188	186	Albertson's	2,674	17.8
189	229	First Chicago	2,646	38.9
190	185	Southern Pacific	2,626	15.3
191	162	IU International	2,619	3.9
192	200	Emerson Electric	2,614	20.1
193	178	Standard Brands	2,613	10.8
194	164	Singer	2,598	5.2
195	177	Northwest Industries	2,580	9.3
196	146	Uniroyal	2,575	–5.9
197	183	Mead	2,570	10.7
198	181	So Calif Edison	2,564	10.1
199	207	Santa Fe Industries	2,556	21.8
200	180	Ingersoll-Rand	2,542	9.0
201	190	Fleming Companies	2,508	12.3
202	221	Amer Natl Resources	2,506	27.6
203	264	Time Inc	2,504	47.5
204	226	InterNorth	2,499	30.2
205	184	St Regis Paper	2,498	8.6
206	193	Pan Am World Airways	2,485	12.7
207	202	H J Heinz	2,471	14.9
208	189	Fruehauf	2,451	9.2
209	195	Central Soya	2,448	11.2
210	198	Lincoln National	2,445	11.5
211	234	Peoples Energy	2,442	29.9
212	250	Security Pacific	2,438	38.5
213	232	Kennecott Copper	2,434	29.0
214	205	American Standard	2,432	15.2
215	211	Delta Air Lines	2,428	18.4
216	191	Pub Svc Elec & Gas	2,417	8.9
217	199	North Amer Philips	2,409	10.3
218	204	Carter Hawley Hale	2,408	13.8
219	245	Dart Industries	2,403	32.0
220	219	Merck	2,385	20.3
221	214	Avon Products	2,378	18.0
222	210	Supermarkets General	2,373	15.1
223	341	Tesoro Petroleum	2,370	85.8
224	197	Nabisco	2,362	7.5
225	257	Hewlett-Packard	2,361	36.6
226	269	Diamond Shamrock	2,357	40.5
227	223	Hercules	2,345	20.5
228	220	American Intl Group	2,328	17.5
229	233	Beneficial Corp	2,314	20.7
230	201	Rapid-American	2,312	6.6
231	239	Archer Danls Midland	2,298	23.7
232	196	Genl Tire & Rubber	2,295	4.3
233	235	Walter Kidde	2,284	21.6
234	272	Johns-Manville	2,283	38.0
235	208	Whirlpool	2,261	8.6
236	218	Campbell Soup	2,249	13.4
237	238	Owens-Corning Fbrgls	2,245	20.7
238	242	Ogden	2,241	22.2
239	206	Allied Stores	2,240	6.3
240	267	ENSERCH	2,238	32.9
241	227	Kimberly-Clark	2,218	16.1
242	240	Eli Lilly	2,206	19.1
243	259	Pacific Lighting	2,200	27.4
244	230	Seaboard Coast Line	2,174	14.2
245	262	Pillsbury	2,166	27.0
246	246	Colt Industries	2,141	18.4
247	224	U S Fidelity & Gty	2,136	10.2
248	268	Levi Strauss	2,103	25.0
249	228	Wickes	2,095	9.7
250	251	Martin Marietta	2,061	17.2
251	243	R H Macy	2,058	12.2
252	276	Fuqua Industries	2,057	25.2
253	222	Gamble-Skogmo	2,053	5.0
254	293	Merrill Lynch	2,052	34.2
255	288	Pennzoil	2,052	32.1
256	284	Consol Natural Gas	2,046	29.0
257	255	Amer Hospital Supply	2,039	17.1
258	247	Amer Broadcasting	2,029	14.9
259	236	Gould	2,029	8.5
260	241	Interco	2,024	9.3
261	254	Melville	2,023	15.8
262	302	Wells Fargo	2,018	35.6
263	271	White Consolidated	2,010	21.4
264	237	Consumers Power	2,003	7.3
265	253	ARA Services	2,002	14.5
266	261	Gillette	1,985	16.0
267	263	Missouri Pacific	1,982	16.4
268	248	Allis-Chalmers	1,973	11.9
269	315	Panhandle Eastern	1,968	39.5
270	266	Quaker Oats	1,966	16.7
271	274	Florida Power & Lt	1,934	17.4
272	258	Avco	1,932	11.8
273	270	Jim Walter	1,932	15.5
274	363	Tosco	1,922	64.9
275	291	Alco Standard	1,917	24.4
276	275	McDonald's	1,912	16.3
277	260	Scott Paper	1,908	10.6
278	256	Amer Genl Insurance	1,886	8.4
279	289	PACCAR	1,883	21.3
280	249	Stop & Shop	1,879	6.6
281	280	Chessie System	1,860	
282	326	Houston Industries	1,854	
283	300	Williams Companies	1,850	
284	265	Kellogg	1,847	
285	273	J P Stevens	1,833	
286	285	Koppers	1,828	
287	278	Middle South Utils	1,823	
288	231	NL Industries	1,810	
289	310	Digital Equipment	1,804	
290	287	Houston Natural Gas	1,798	
291	303	Dillon Companies	1,792	
292	311	United Telecom	1,792	
293	281	Associated Dry Goods	1,783	
294	290	St Paul Companies	1,783	
295	286	Olin	1,778	
296	296	National Distillers	1,773	
297	294	Cummins Engine	1,771	
298	282	Texas Utilities	1,756	
299	297	SCM	1,754	
300	292	Crum & Forster	1,745	
301	298	Clark Equipment	1,738	
302	360	ASARCO	1,724	
303	320	Consol Freightways	1,720	
304	308	Revlon	1,718	
305	304	Va Electric & Power	1,703	
306	283	Detroit Edison	1,699	
307	299	Amfac	1,689	
308	351	Texas Gas Transmn	1,687	
309	309	Abbott Laboratories	1,683	
310	313	Ethyl	1,657	
311	301	Foster Wheeler	1,654	
312	336	Warner Commun	1,648	
313	328	Pittston	1,648	
314	314	Times Mirror	1,639	
315	373	First Natl Boston	1,637	
316	321	Malone & Hyde	1,616	
317	331	Castle & Cooke	1,593	
318	344	Rohm & Haas	1,590	
319	362	American Petrofina	1,587	
320	244	Northrop	1,582	
321	305	Phila Electric	1,579	
322	367	Crocker National	1,578	
323	327	Emhart	1,573	
324	350	Crane	1,573	
325	357	Murphy Oil	1,569	
326	340	NICOR	1,562	
327	337	Allegheny Ludlum Inds	1,550	
328	319	Zayre	1,550	
329	317	Chromalloy American	1,536	
330	405	Transco Companies	1,528	
331	332	Stauffer Chemical	1,526	
332	316	United States Gypsum	1,525	
333	339	Niagara Mohawk Pwr	1,517	
334	330	Upjohn	1,514	
335	346	Marriott	1,510	

Extra Thrust for Challenging Risks
ROLLINS BURDICK
HUNTER
Multinational Insurance Brokers
World Headquarters: 10 South Riverside Plaza, Chicag

Rank 1979	Rank 1978	Company	Sales ($000,000)	% Change Over 1978
336	335	Sterling Drug	1,501	14.2
337	318	Duke Power	1,493	6.9
338	333	General Public Utils	1,490	12.3
339	451	Anderson, Clayton	1,490	13.7
340	361	Evans Products	1,482	26.6
341	306	Grumman	1,476	1.4
342	324	Intl Minerals & Chem	1,475	8.1
343	342	Southern Railway	1,467	16.4
344	375	Ryder System	1,455	29.4
345	458	Turner Construction	1,454	69.1
346	295	Squibb	1,453	-4.2
347	380	Norfolk & Western Ry	1,449	32.1
348	390	So Natural Resources	1,446	37.3
349	334	AMF	1,438	9.3
350	352	A E Staley Mfg	1,435	18.2
351	385	Schering-Plough	1,434	32.5
352	345	Corning Glass Works	1,422	13.6
353	347	George A Hormel	1,414	13.6
354	397	Marine Midland Bks	1,412	40.1
355	329	Central & South West	1,409	5.2
356	343	Crown Cork & Seal	1,402	11.3
357	325	Oscar Mayer	1,397	3.5
358	492	Cooper Industries	1,395	78.4
359	356	Union Camp	1,389	16.5
360	449	Morrison-Knudsen	1,366	55.9
361	322	Polaroid	1,361	–1.1
362	354	MCA	1,354	14.3
363	376	SmithKline	1,351	21.5
364	408	National Can	1,347	21.7
365	410	Braniff Intl	1,346	38.5
366	355	Walgreen	1,345	12.7
367	394	General Signal	1,343	30.4
368	348	Armstrong Cork	1,341	7.8
369	368	Genuine Parts	1,337	16.4
370	307	Fisher Foods	1,336	–8.0
371	366	McGraw-Edison	1,331	15.3
372	364	Lear Siegler	1,327	14.9
373	372	Jack Eckerd	1,325	17.1
374	359	Sunbeam	1,323	12.3
375	■	Valero Energy	1,321	23.0
376	488	Northwest Airlines	1,311	65.9
377	443	Irving Bank	1,304	45.9
378	358	Heublein	1,303	9.5
379	392	Louisiana-Pacific	1,302	24.9
380	413	Wal-Mart Stores	1,294	34.7
381	377	Diamond Intl	1,283	15.8
382	379	Timken	1,282	15.9
383	398	Phelps Dodge	1,281	27.1
384	323	U S Industries	1,274	–7.1
385	349	Reliance Group	1,266	2.1
386	374	Brunswick	1,257	11.6
387	420	Kemper	1,247	31.5
388	386	Giant Food	1,243	15.0
389	365	Wheeling-Pitts Steel	1,242	7.6
390	393	Air Prods & Chems	1,230	18.4
391	370	Westvaco	1,224	7.5
392	389	Tandy	1,215	14.7
393	425	Commonwealth Oil	1,214	30.4
394	387	Safeco	1,213	12.5
395	388	GAF	1,213	14.1
396	395	H F Ahmanson	1,211	18.2
397	381	White Motor	1,211	10.5
398	378	Libbey-Owens-Ford	1,208	9.1
399	416	Black & Decker	1,205	25.5
400	371	Sherwin-Williams	1,196	5.7
401	419	No Indiana Pub Svc	1,196	25.9
402	384	Chubb	1,196	10.0
403	399	Baxter Travenol Labs	1,191	18.6
404	409	Chesebrough-Pond's	1,177	21.0
405	431	Baker International	1,169	27.2
406	■	Hershey Foods	1,161	51.2
407	414	Gt Northern Nekoosa	1,158	20.5
408	404	Clark Oil & Refining	1,157	18.5
409	430	Dillingham	1,155	25.6
410	481	St Joe Minerals	1,148	43.8
411	478	Mellon National	1,148	42.4
412	450	Northwest Bancorp	1,145	30.9
413	401	Brown Group	1,145	16.4
414	423	Petrolane	1,144	21.6
415	■	Commercial Metals	1,142	63.5
416	463	GK Technologies	1,141	34.5
417	433	Continental Tel	1,135	24.2
418	415	Norton	1,133	18.0
419	■	Cabot	1,122	57.4
420	472	Northwest Energy	1,120	36.5
421	353	Holiday Inns	1,113	–7.5
422	■	First Natl Supermkts	1,112	190.7
423	429	Interlake	1,105	19.9
424	422	Waldbaum	1,103	17.2
425	400	Roadway Express	1,094	11.0
426	421	Richardson-Merrell	1,091	15.4
427	■	Penn Central	1,087	63.0
428	■	Superior Oil	1,085	48.5
429	428	Pennwalt	1,079	17.1
430	434	Hammermill Paper	1,077	18.0
431	402	Zenith Radio	1,075	9.7
432	465	Northeast Utilities	1,074	27.7
433	446	Whittaker	1,074	21.5
434	■	First Intl Bshs	1,071	45.4
435	427	Mercantile Stores	1,068	15.8
436	■	Gannett	1,065	54.4
437	426	Fred Meyer	1,060	14.4
438	407	Wetterau	1,059	8.8
439	418	Amstar	1,056	10.5
440	■	Crown Central Petrol	1,055	60.4
441	484	First Bank System	1,054	32.4
442	403	No States Power	1,048	7.0
443	432	National Tea	1,046	13.8
444	439	Long Island Lighting	1,045	16.3
445	452	Blue Bell	1,029	18.0
446	441	Di Giorgio	1,029	1
447	476	Avnet	1,028	2
448	■	Pitney Bowes	1,025	4
449	440	Allegheny Power	1,025	1
450	■	Johnson Controls	1,024	7
451	406	Baltimore Gas & Elec	1,014	
452	480	AMP	1,013	2
453	444	West Point-Pepperell	1,013	1
454	455	Akzona	1,012	1
455	459	Rexnord	1,010	1
456	445	Campbell Taggart	1,007	1
457	469	Sysco	1,002	2
458	143	Food Fair	1,000	–6
459	457	Ohio Edison	995	1
460	391	Genesco	993	–
461	464	Dravo	992	1
462	■	First Pennsylvania	991	3
463	473	ACF Industries	983	2
464	453	Harris Corp	982	1
465	447	Knight-Ridder News	980	1
466	466	Universal Leaf	978	1
467	■	Kaiser Steel	975	3
468	■	Fed-Mart	975	4
469	■	Natomas	967	12
470	■	Witco Chemical	967	2
471	■	Ex-Cell-O	962	3
472	495	R R Donnelley & Sons	958	2
473	■	Dun & Bradstreet	952	2
474	■	Republic of Texas	951	5
475	■	Wheelabrator-Frye	947	5
476	448	Washington National	947	
477	437	Union Electric	947	
478	461	Liggett Group	946	1
479	474	Harsco	945	1
480	456	Provident Life & Acc	945	
481	■	Scovill	942	2
482	■	Cessna Aircraft	939	2
483	471	Leaseway Transportn	937	1
484	■	U S Home	935	3
485	467	Western Air Lines	932	1
486	470	Intl Multifoods	931	1
487	497	Continental Airlines	928	1
488	486	Revco D S	928	1
489	■	Humana	927	4
490	■	Public Service Colo	927	2
491	438	Carolina Pwr & Lt	926	
492	498	Trans Union	923	1
493	■	Tiger International	920	3
494	454	Flickinger	920	
495	442	Certain-teed	916	
496	496	Cyclops	915	1
497	424	American Financial	913	
498	491	Borman's	905	1
499	485	Lowe's Companies	905	1
500	487	Zale	904	1

■ Not on 500 list in 1978

ONE OF THESE COMPANIES HAS LARGER ASSETS THAN ANY OF THE OTHERS. WHICH ONE?

All are Forbes 500 companies.

But only one has 2.6 billion dollars in assets. And grew to t size in 19 short years.

The mystery company? Continental Telephone Corporation.

And if that comes as a surprise to you, you should learn re about us.

Like the fact that we've quietly become the third largest -Bell telephone company in America. Serving more than 2,000 mmunities in the United States, Canada and the Caribbean with r 3 million telephones. That we've increased our net income)% in the last decade. And paid increased dividends each year since our first declaration in 1964.

That 1978 revenues and sales rose 17% over 1977. Net income increased 21%. And earnings per common share climbed 17%.

But that's not all.

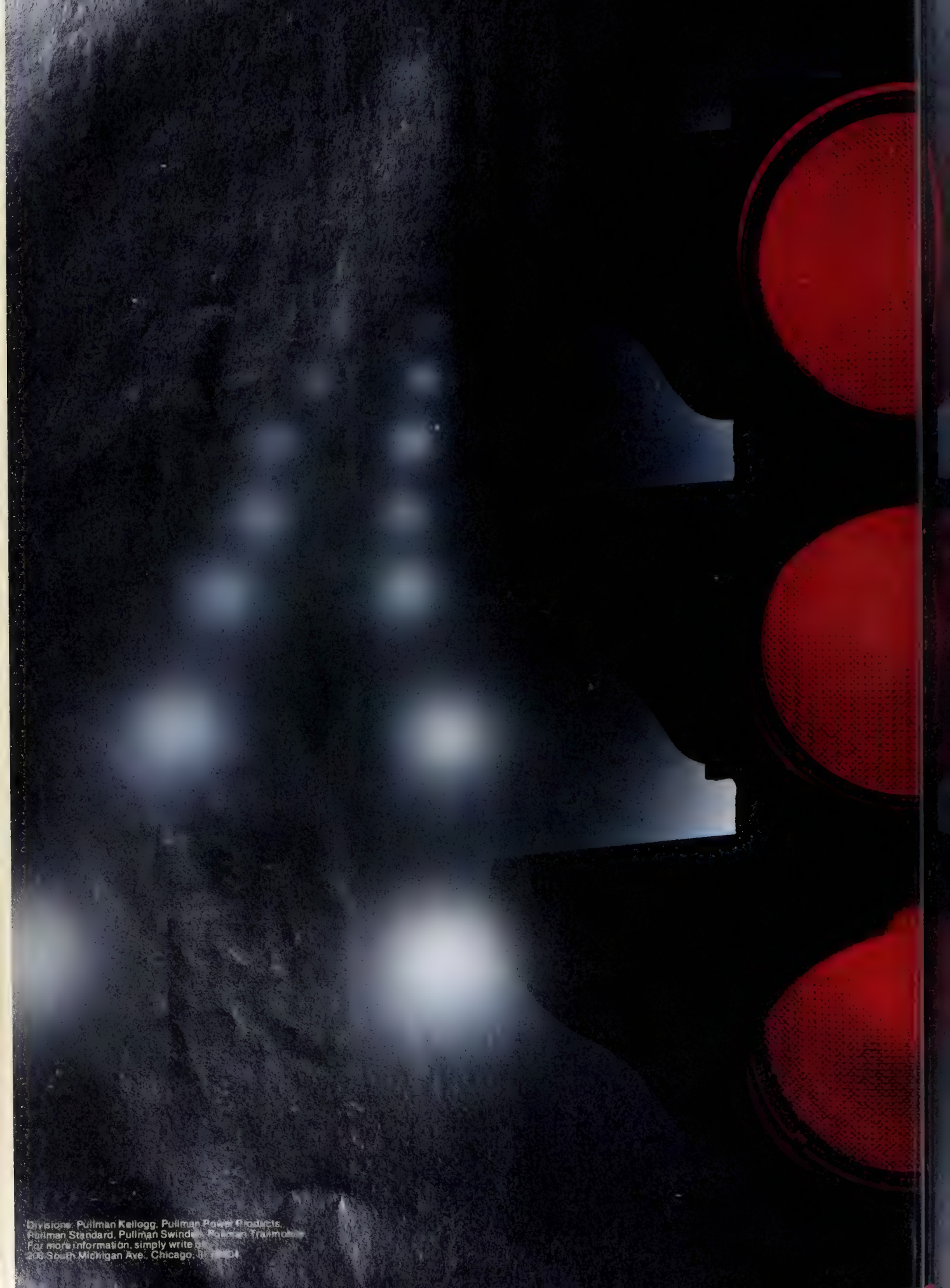
Figures for the first six months of 1979 are looking even better. With net income up 20% to $56.3 million. Revenues and sales up 18% to $544 million. Earnings per share up 14% to $1.09.

If you're ready for more facts and figures, write to us at 56 Perimeter Center East, Atlanta, GA 30346.

Continental Telephone Corporation.

Don't be surprised if you're hearing a lot more about us.

Continental Telephone Corporation



Divisions: Pullman Kellogg, Pullman Power Products,
Pullman Standard, Pullman Swindell, Pullman Trailmobile.
For more information, simply write us
200 South Michigan Ave., Chicago, Ill. 60604

Maybe we can't get there from here.

Getting there used to be half the fun.

Nowadays, the fun part is about zero. There's not even any assurance we're going in the right direction, since the directions keep changing. And an excess of bureaucratic caution sometimes makes it impossible to move at all.

While some controls may help prevent a number of problems, they also prevent a great deal of growth, innovation, willingness to take risks, motivation to invest, to try, to venture, to discover. The paradox is that an excess of regulation tends to thwart the very free market energy that needs to be facilitated. Especially today, in an increasingly competitive international economic environment.

A few green lights might enable us all – from companies like Pullman to people like you – to apply more freely some of that uniquely adaptive, creative, common-sensible know-how, otherwise known as American ingenuity, to the concerns that face us all, all over the world. We've used ours, for instance, to build refineries in the desert, find energy in pulverized coal, capture it in the form of once-wasted gas, and save it with piggyback trailers and rail cars.

Now let's change a few signals.

We've been seeing red long enough.

Pullman Incorporated

Engineers and builders for a planet on the move.

Lambert-St. Louis International Airport

If the energy crunch has your next meeting stalled, come to the crossroads: St. Louis.

Our location makes us less than two hours away from most big cities. Just hop a non-stop from any one of 55 cities coast to coast.

On the ground, there are major hotel and meeting facilities within 20 minutes of the airport. Along with 3,000 rooms right in the airport area!

And the prices may surprise you. St. Louis, for instance, is 28% less per diem than Chicago.*

So get into high gear and take the energy-efficient route: St. Louis. For more details call or write: John G. Walsh, 7900 Forsyth, St. Louis, MO 63105; (314) 889-2813.

*Sales and Marketing Management, February 26, 1979

Copyright St. Louis County Government 1977.

500's

SALES
ASSETS
PROFITS
MARKET VALUE

THE FORBES PROFITS 500

e good news: Total profits of the top 500 U.S. companies rose rply in 1979. The bad news? It went mainly to a favored few.

HE TOTAL EARNINGS of the companies in the FORBES Profits 500 reached $110.2 billion in 1979, up 22.6% from 1978's $89.9 billion. Even allowing for 11.3% aver- nflation, that's a real gain of over 11%, *vs.* 1978's 7.7%. is disturbing—though not surprising—is that things s the board were not nearly so good as the totals suggest. ew industries—oil, mining, defense—did spectacularly in and their gains masked so-so results or outright declines here. Forty-three companies from 1978's Profits 500 make it this time (*vs.* 37 dropouts in 1978), and another this year's list suffered declines. Steel had such a rough that industry leader U.S. Steel was knocked off the list, gh Bethlehem, having taken its writedown medicine a bit r than Big Steel, was up 22.5%. Automotive companies ctably suffered earnings drops: Goodyear was down %, Ford 26.4%, General Motors 17.5%. Utilities were off e second straight year, while fuel price hikes kicked TWA raniff right off the list.

e big gainers were, of course, the oil and gas companies, n made up almost half of the 36 outfits that doubled ngs last year; and their gains were made on solid profit Profiteering from the energy crisis? Last year's introduc- o the Profits 500 noted the *substandard* profit gains of the mpanies in 1978. Too bad the knee-jerk knockers of the try have such short memories.

Rank 1979	Rank 1978	Company	Net Profits ($000,000)	% Change Over 1978	Cash Flow ($000,000)	Cash Flow Rank 1979
1	1	**American Tel & Tel**	5,674.2	7.6	13,903	1
2	4	**Exxon**	4,295.2	55.5	7,698	2
3	3	**IBM**	3,011.3	–3.2	6,113	3
4	2	**General Motors**	2,892.7	–17.5	5,759	4
5	7	**Mobil**	2,007.2	78.3	3,628	5
6	8	**Standard Oil Calif**	1,784.7	61 4	2,771	11
7	12	**Texaco**	1,759.1	106.4	3,212	7
8	9	**Standard Oil Ind**	1,506.6	40.0	2,842	10
9	6	**General Electric**	1,408.8	14.6	2,007	18
10	15	**Gulf Oil**	1,322.0	67.1	2,762	12
11	31	**Standard Oil Ohio**	1,186.1	163.5	2,179	15
12	5	**Ford Motor**	1,169.3	–26.4	3,290	6
13	14	**Atlantic Richfield**	1,165.9	45.0	2,511	14
14	13	**Shell Oil**	1,125.6	38.3	2,064	16
15	11	**Eastman Kodak**	1,000.8	10.9	1,397	27
16	16	**E I du Pont**	938.9	19.3	1,870	19
17	17	**Phillips Petroleum**	891.1	25.4	1,592	21
18	30	**Conoco**	815.4	80.7	1,521	23
19	10	**Sears Roebuck**	785.2	–13.3	1,393	28
20	20	**Dow Chemical**	783.9	36.3	1,496	24

Rank 1979	Rank 1978	Company	Net Profits ($000,000)	% Change Over 1978	Cash Flow ($000,000)	Cash Flow Rank 1979
21	41	Sun Company	699.9	91.5	1,398	26
22	25	Schlumberger	658.4	31.2	866	39
23	22	Minn Mining & Mfg	655.2	16.4	910	38
24	19	General Tel & Elec	645.1	2.9	2,038	17
25	44	Getty Oil	604.4	84.4	1,235	29
26	26	BankAmerica	600.2	20.5	988	34
27	24	Procter & Gamble	577.3	12.8	800	43
28	28	Tenneco	570.7	22.5	1,106	32
29	29	Xerox	563.1	21.1	1,555	22
30	■	Occidental Petroleum	561.6	8,282.8	1,089	33
31	23	Aetna Life & Cas	559.5	8.1	3,162	8
32	37	Union Carbide	556.2	41.1	1,124	31
33	32	R J Reynolds Inds	550.9	24.7	977	35
34	27	Citicorp	541.4	15.2	818	42
35	69	Ashland Oil	526.3	115.0	654	57
36	72	International Paper	525.3	124.3	578	64
37	33	Weyerhaeuser	512.2	24.1	845	40
38	34	Philip Morris	507.9	24.3	720	51
39	150	Amerada Hess	507.1	256.1	842	41
40	45	Boeing	505.4	56.5	637	58
41	48	Alcoa	504.6	61.4	732	46
42	38	Union Oil California	500.6	31.0	1,154	30
43	21	Caterpillar Tractor	491.6	–13.2	722	50
44	35	Pacific Gas & Elec	458.2	14.1	576	65
45	39	Coca-Cola	420.1	12.1	575	66
46	42	American Home Prod	396.0	13.7	476	83
47	40	Travelers	387.6	4.1	1,812	20
48	64	Union Pacific	382.5	44.8	698	52
49	18	Intl Tel & Tel	382.4	–41.6	2,974	9
50	52	Merck	381.8	24.1	477	82
51	36	Halliburton	377.4	–5.0	562	68
52	102	Intl Harvester	369.6	98.0	555	71
53	■	Charter	367.7	1,479.0	409	109
54	127	AMAX	365.3	128.3	471	84
55	43	K mart	358.0	4.2	523	73
56	57	Johnson & Johnson	352.1	17.7	511	76
57	152	Engelhard Minerals	349.7	145.9	395	112
58	214	Cities Service	347.5	194.5	795	44
59	82	American Brands	347.3	64.2	331	144
60	68	Teledyne	346.5	38.9	271	189
61	67	So Calif Edison	346.2	37.6	459	89
62	51	American Express	345.3	12.1	2,591	13
63	49	Westinghouse Elec	331.1	6.4	460	88
64	54	Monsanto	331.0	9.4	667	55
65	59	Eli Lilly	329.5	18.8	389	113
66	56	Georgia-Pacific	327.0	8.3	610	60
67	73	United Technologies	325.6	39.1	618	59
68	50	Consolidated Edison	323.9	4.6	594	63
69	140	Kimberly-Clark	314.4	111.3	358	124
70	63	Deere	310.6	17.3	414	108
71	66	Burroughs	305.5	20.6	559	69
72	99	Chase Manhattan	303.0	55.3	529	72
73	46	Commonwlth Edison	296.7	–7.6	522	74
74	98	Marathon Oil	295.3	49.8	654	56
75	65	J P Morgan	288.1	12.0	370	120
76	53	Continental Corp	287.2	–5.3	485	80
77	■	Mesa Petroleum	285.6	583.9	465	86
78	58	RCA	283.8	1.9	767	45
79	79	Bethlehem Steel	275.7	22.5	681	53
80	74	Duke Power	274.8	19.1	429	99
81	61	Connecticut General	270.1	1.4	1,428	
82	78	PepsiCo	264.9	17.3	446	
83	111	Rockwell Intl	261.1	47.8	436	
84	80	Beatrice Foods	261.0	17.8	409	
85	71	American Elec Power	260.6	10.3	575	
86	459	ASARCO	259.1	423.7	218	
87	76	Avon Products	250.7	10.0	284	
88	91	Champion Intl	247.1	21.3	435	
89	83	INA	244.6	15.7	725	
90	60	J C Penney	244.0	–11.6	372	
91	108	Honeywell	240.0	32.2	502	
92	187	Pennzoil	238.5	86.1	508	
93	88	Transamerica	238.5	16.7	598	
94	87	Pfizer	237.9	15.3	323	
95	47	NCR	234.6	–26.2	348	
96	120	SmithKline	233.8	42.5	257	
97	75	Pub Svc Elec & Gas	233.3	2.0	422	
98	145	Kaiser Alum & Chem	232.2	59.6	251	
99	116	General Foods	232.1	37.0	309	
100	92	Bristol-Myers	231.5	14.0	281	
101	101	American Intl Group	231.4	21.4	284	
102	81	U S Fidelity & Gty	229.0	7.7	966	
103	89	Dresser Industries	228.0	11.8	337	
104	119	Santa Fe Industries	227.7	37.8	416	
105	109	Gulf & Western Inds	227.4	26.0	340	
106	110	Sperry	224.1	26.9	455	
107	114	W R Grace	222.6	30.6	430	
108	100	Schering-Plough	222.3	14.8	257	
109	95	Armco	221.0	11.5	419	
110	93	Southern Company	219.1	8.7	597	
111	172	PPG Industries	218.9	65.7	377	
112	107	Mfrs Hanover	211.6	16.3	345	
113	94	Texas Utilities	211.2	5.2	453	
114	266	Reliance Group	208.4	129.1	283	
115	84	Florida Power & Lt	204.7	–3.1	467	
116	104	Consumers Power	203.8	10.1	218	
117	124	Signal Companies	203.7	26.8	234	
118	126	Western Bancorp	203.3	26.9	360	
119	97	Federated Dept Stores	203.2	2.7	361	
120	134	Hewlett-Packard	203.0	32.7	302	
121	115	Emerson Electric	201.0	18.5	268	
122	276	Warner Commun	200.7	130.5	243	
123	96	CBS	200.7	1.3	278	
124	■	Superior Oil	200.3	548.7	518	
125	123	McDonnell Douglas	199.1	23.6	283	
126	236	Norfolk & Western Ry	198.6	87.5	293	
127	137	Raytheon	197.2	31.4	310	
128	90	Va Electric & Power	196.5	–3.6	331	
129	118	Continental Illinois	195.8	16.7	301	
130	113	TRW	194.6	11.7	313	
131	105	Phila Electric	194.5	5.2	313	
132	62	Dayton-Hudson	192.1	–27.5	243	
133	147	Levi Strauss	191.5	32.1	217	
134	195	Continental Group	189.2	52.1	337	
135	■	Litton Industries	188.9	D–P	315	
136	122	McDonald's	188.6	15.9	311	
137	106	Kraft	188.1	2.2	307	
138	155	InterNorth	185.5	30.9	405	
139	■	General Dynamics	185.2	D–P	383	
140	125	United Telecom	182.9	14.1	508	

■ Not on 500 list in 1978. D–P Deficit to profit.

Edgcomb truck is loaded with metals processed to customers' exact specifications.

Williams is strengthening its metals business today... to improve tomorrow's returns.

Edgcomb Metals Company, a Williams subsidiary, is the largest independent owner and operator of metals service centers in the United States. Williams has dramatically increased the scope of Edgcomb's operations during the past five years. Revenues generated from 19 modern Edgcomb service centers totaled $591 million in 1979 compared to $127 million when it had 7 facilities in 1975. Edgcomb's marketing territory has increased from 12 to 37 states during this period. Its customer base has been broadened substantially, and it has increasingly realized economies of scale, better market penetration and other benefits as a result of its aggressive expansion and improvements program.

Edgcomb serves a growing market. The larger metals service center companies, such as Edgcomb, expect to gain greater market share in their industry during 1980. Because of its broad lines of products and processing capabilities, the efficiencies Edgcomb offers metals users is even more apparent during a period of inflation and high interest rates.

Williams is more than a metals company. It is a leader in fertilizer and energy as well. We've also strengthened these businesses and achieved a more favorable overall corporate balance. Our strategy is paying off in the form of improved returns, as reflected by the recent increase in our annual dividend rate.

To learn more about Williams (WMB-NYSE), our balanced diversity and our strong earnings picture for the '80s, write Lawrence R. Francisco, manager-investor relations, The Williams Companies, One Williams Center, Tulsa, OK 74172.

Williams is worth watching in the '80s.

THE FERTILIZER, ENERGY AND METALS COMPANY

Agrico Chemical Company ■ Edgcomb Metals Company
Williams Exploration Company ■ Williams Pipe Line Company

WILLIAMS

How an industrial product from Colt Industries will help the next generation of Boeing jets take off.

When the new Boeing 757 twin-jet goes into service in 1983, it will take off and land on nose and main landing gear supplied by our Menasco subsidiary.

The Boeing 757 is one of the whole new Boeing family of fuel-efficient commercial airliners. Designed to compete in a market forecast to total 1200 of this class of airliner by the 1990s, the standard 757 will carry 178 passengers while using up to 40% less fuel per seat.

Menasco is a leading producer of landing gear assemblies for the Boeing 707, 727, 737 and the new 767, as well as for the Lockheed L-1011, the McDonnell Douglas DC-10 and such military aircraft as the A-10 and F-16. And Menasco is another reason why Colt Industries is a leading supplier to the industrial sector of the U.S. economy.

For our latest financial reports, write Colt Industries Inc, Dept. G, 430 Park Avenue, New York, N.Y. 10022.

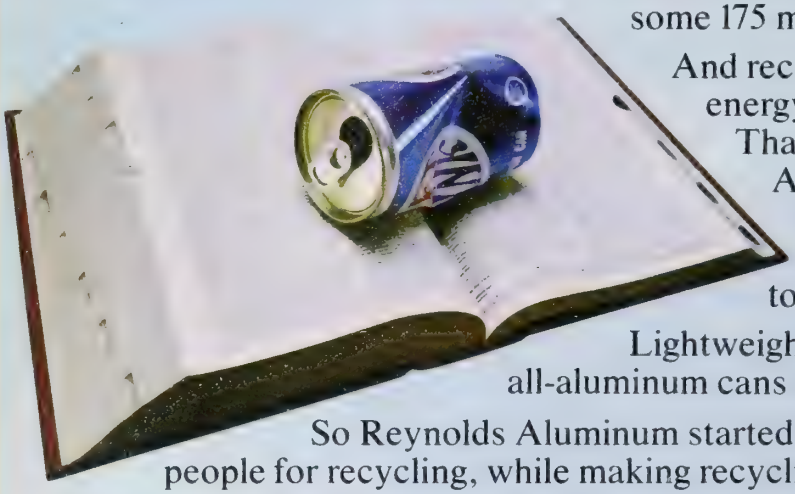
Fairbanks Morse • Fairbanks • Frank & Whitney • Elan • Quincy • Central Motivity • Trent • Crucible • Coal • Chandler Evans • Fairbanks Morse • Crucible • Dunham • Stemco • Fyrac • Farnam gaskets ☐ Menasco

Colt Industries

In 1967, (re·cy·cling) wasn't even in most dictionaries.

Just 13 years ago, all Webster's had between "recussion" and "red" was empty space. A terrible waste.

Today, Reynolds Aluminum recycling pays Americans over 4 million dollars a month. Last year, Reynolds recycled the equivalent of half the cans they made, some 175 million pounds of aluminum.



And recycling saves energy...95% of the energy it takes to make aluminum from ore. That means last year Reynolds Aluminum recycling saved over a billion kilowatt hours of electricity. It just took Reynolds Aluminum to get it started.

Lightweight, great for flavors and quick to chill, all-aluminum cans were taking over the grocery shelves.

So Reynolds Aluminum started something big. They started paying people for recycling, while making recycling easy...building nearly 100 permanent recycling centers and putting 150 mobile units on the road to collect aluminum in over 1,000 locations across the country.

Reynolds even invented the Stay-On-Tab which gives people more to recycle.

And it all worked. Consumer recycling has proven so successful that now Reynolds is working with waste disposal experts throughout the world to find better, more efficient ways to recover and use aluminum over and over.

Today, the country's largest maker of aluminum cans pays millions to get them back. And Webster's has put in a good word for everyone.

For location of the recycling center nearest you, call toll-free 800-228-2525. (In Nebraska, call collect 402-572-7888.)

Conserving our resources and energy. Aluminum can and Reynolds does.

REYNOLDS ALUMINUM

nk 1978	Company	Net Profits ($000,000)	% Change Over 1978	Cash Flow ($000,000)	Cash Flow Rank 1979
138	Pa Power & Light	182.2	22.3	184	296
103	Middle South Utils	182.1	–1.8	67	494
135	Loews	182.0	20.3	727	47
161	Texas Eastern	180.6	31.6	425	102
178	Missouri Pacific	180.2	38.2	272	186
180	F W Woolworth	180.0	38.1	212	259
218	Southern Pacific	179.9	54.8	346	132
141	Abbott Laboratories	179.0	20.4	232	234
■	Newmont Mining	178.8	424.1	239	220
142	CPC International	178.7	21.2	268	191
153	Digital Equipment	178.4	25.5	247	211
175	Diamond Shamrock	178.1	35.9	351	128
162	Martin Marietta	178.0	30.9	267	193
215	Reynolds Metals	177.1	50.3	247	210
143	Detroit Edison	176.0	19.9	322	148
224	Burlington Northern	175.6	53.4	271	188
165	Boise Cascade	174.9	28.9	291	169
158	Texas Instruments	172.9	23.2	360	123
241	Hercules	172.5	67.1	289	171
136	Northwest Industries	172.2	14.4	296	166
190	Dart Industries	171.7	35.6	247	209
117	Textron	169.8	1.0	231	235
247	Louisiana Land	169.0	68.5	357	125
130	American Cyanamid	168.5	8.0	311	154
148	Central & South West	167.0	16.3	350	129
139	Amer Genl Insurance	165.5	11.1	723	49
168	Dana	164.2	22.3	232	233
171	Security Pacific	163.6	23.1	429	100
181	Bendix	162.6	25.5	218	251
146	Kellogg	162.6	12.1	215	254
185	Houston Industries	161.8	25.8	324	146
85	Fedl Natl Mortgage	161.7	–22.6	159	333
154	Long Island Lighting	161.7	13.9	147	353
133	Household Finance	161.2	5.2	436	94
188	Southern Railway	160.6	26.2	292	168
213	Kerr-McGee	160.0	35.4	379	116
132	Lincoln National	159.5	3.2	958	37
166	Amer Broadcasting	159.3	17.5	197	280
191	St Regis Paper	158.5	25.3	259	198
156	Niagara Mohawk Pwr	156.0	10.5	225	237
169	Borg-Warner	155.6	16.3	202	274
194	Motorola	154.3	23.3	265	194
208	Eaton	154.1	28.7	261	197
159	Columbia Gas Sys	153.3	10.1	441	93
149	Carolina Pwr & Lt	153.2	7.4	348	131
121	St Paul Companies	153.0	–6.1	462	87
184	Revlon	152.7	18.1	186	292
■	LTV	152.1	474.3	307	159
157	FMC	151.6	7.6	279	183
197	Union Camp	151.2	23.2	238	221
182	Upjohn	149.5	15.5	195	283
170	Ingersoll-Rand	149.3	12.2	220	245
189	Crum & Forster	149.3	17.7	478	81
200	Panhandle Eastern	148.1	21.8	372	119
164	General Mills	147.0	8.2	238	222
151	Times Mirror	146.5	2.9	210	261
77	Goodyear	146.2	–35.4	427	101
231	Anheuser-Busch Cos	144.3	29.9	264	195
210	Time Inc	143.9	20.9	213	258
144	Safeway Stores	143.3	–1.9	328	145

Rank 1979	1978	Company	Net Profits ($000,000)	% Change Over 1978	Cash Flow ($000,000)	Cash Flow Rank 1979
201	229	Celanese	141.0	25.9	354	126
202	202	Mead	141.0	16.6	164	322
203	176	Peoples Energy	140.3	7.5	345	135
204	186	MCA	139.0	8.3	209	262
205	173	Houston Natural Gas	138.6	5.5	229	236
206	445	El Paso	138.1	172.2	339	137
207	196	Carnation	138.0	11.6	184	297
208	193	Safeco	137.7	9.7	219	247
209	259	Scott Paper	137.1	46.5	225	238
210	452	Texasgulf	136.9	173.2	205	268
211	174	Delta Air Lines	136.7	4.3	351	127
212	192	Stauffer Chemical	136.0	7.9	285	173
213	260	National Distillers	135.8	45.8	191	289
214	282	Ohio Edison	134.8	56.7	201	275
215	227	Chemical New York	134.7	20.0	245	212
216	289	Gannett	134.1	61.3	188	291
217	163	Borden	134.0	–1.3	257	200
218	242	General Reinsurance	133.9	30.6	331	142
219	228	Crown Zellerbach	133.5	19.1	255	204
220	233	Owens-Illinois	133.5	22.2	296	164
221	204	NLT	133.3	10.9	306	160
222	201	Campbell Soup	132.7	9.3	202	271
223	347	Seaboard Coast Line	132.6	96.0	208	264
224	225	City Investing	132.6	17.9	557	70
225	244	American Standard	132.2	30.4	207	266
226	129	Inland Steel	131.1	–17.2	283	177
227	■	Kennecott Copper	130.4	2,500.8	237	224
228	219	Consol Natural Gas	128.3	10.7	296	163
229	131	Ralston Purina	128.1	–17.2	241	219
230	223	Avco	128.0	11.5	338	138
231	209	American Can	127.3	6.4	250	207
232	226	National Steel	126.5	12.5	280	182
233	198	Baltimore Gas & Elec	126.3	3.1	271	187
234	239	Corning Glass Works	124.9	19.7	158	335
235	220	Norton Simon	124.3	7.3	172	315
236	217	Squibb	123.7	5.5	163	324
237	234	United States Gypsum	123.5	13.2	179	304
238	232	Wells Fargo	123.4	12.0	236	225
239	86	Warner-Lambert	123.3	–40.7	252	205
240	397	Greyhound	123.0	110.8	181	302
241	275	Public Service Ind	123.0	40.2	233	230
242	235	Arizona Public Serv	121.6	13.9	157	338
243	253	AMP	121.3	24.1	165	321
244	230	Republic Steel	121.2	9.1	244	213
245	205	Intl Minerals & Chem	120.8	0.6	224	240
246	222	No States Power	120.7	4.7	332	141
247	330	Chessie System	120.5	70.8	255	203
248	278	PACCAR	120.1	38.6	116	401
249	287	Control Data	119.3	42.2	275	185
250	327	Merrill Lynch	118.7	66.5	176	308
251	207	Union Electric	118.1	–1.5	196	282
252	183	Amer Natl Resources	118.0	–8.8	433	97
253	216	H F Ahmanson	117.1	–0.3	674	54
254	325	Crocker National	116.9	62.7	214	256
255	199	Johns-Manville	114.6	–5.8	235	227
256	254	Continental Tel	114.3	17.2	345	134
257	267	May Dept Stores	114.0	26.7	198	279
258	251	Walt Disney	113.8	15.7	162	327
259	295	Bankers Trust N Y	113.7	39.1	173	312
260	112	Colgate-Palmolive	113.5	–35.3	243	216

Not on 500 list in 1978.

It starts out innocently enough.

A man tunes in a football game and tunes out his wife's attempts to be heard.

A woman gets so wrapped up in her problems she barely listens as her husband talks about his own.

And before long, without even realizing how it came about, a deadly silence starts to grow between them.

The fact is, listening, like marriage, is a partnership; a shared responsibility between the person speaking and the person listening. And if the listener doesn't show genuine interest and sensitivity to what's being said, the speaker will stop talking. And the communication will fail.

Which is why we at Sperry feel it's so critical that we all become better listeners. In our homes. And in our businesses.

We've recently set up special listening programs that Sperry personnel worldwide can attend. And what we're discovering is that when people really know how to listen (and believe us, there's a lot to know) they can actually encourage

e speakers to share more of their thoughts and feelings, bringing everyone oser together.

Which is of great value to us when we do business.
And perhaps even greater value when we go home.

SPERRY

We understand how important it is to listen.

Sperry is Sperry Univac computers, Sperry New Holland farm equipment, Sperry Vickers fluid power systems, and guidance and control equipment from Sperry division and Sperry Flight Systems.

Rank 1979	Rank 1978	Company	Net Profits ($000,000)	% Change Over 1978	Cash Flow ($000,000)	Cash Flow Rank 1979
261	250	Cleveland Elec Illum	113.5	14.7	162	325
262	237	Pacific Pwr & Lt	112.5	6.4	174	310
263	177	First Chicago	112.0	–14.1	222	242
264	264	Baxter Travenol Labs	111.9	22.1	150	344
265	344	Cooper Industries	111.8	63.9	151	343
266	291	Utd Energy Resources	111.7	35.6	214	257
267	257	Sterling Drug	111.6	17.9	173	314
268	246	Consolidated Foods	111.4	10.7	255	202
269	277	Colt Industries	111.4	28.0	160	331
270	248	Whirlpool	110.9	11.3	142	358
271	320	Natomas	110.8	47.1	244	214
272	■	Phelps Dodge	110.8	267.9	198	278
273	258	Gillette	110.6	17.0	179	303
274	249	H J Heinz	110.4	11.4	184	298
275	262	Amer Hospital Supply	109.4	18.7	150	349
276	179	Owens-Corning Fbrgls	109.3	–16.2	222	241
277	240	So Natural Resources	107.4	3.2	235	228
278	261	Interco	106.7	15.3	133	374
279	265	Northwest Bancorp	106.6	16.4	158	337
280	296	Louisiana-Pacific	106.4	30.3	215	255
281	255	IC Industries	106.3	9.5	284	176
282	288	Clark Equipment	106.1	27.4	140	361
283	245	Gould	105.9	4.8	161	328
284	479	Murphy Oil	103.6	122.3	415	107
285	270	Timken	102.1	15.2	168	318
286	284	Farmers Group	101.7	20.1	159	334
287	269	First Bank System	101.7	13.5	152	341
288	■	Freeport Minerals	101.4	274.2	134	371
289	273	Melville	101.2	15.0	150	345
290	252	Beneficial Corp	101.1	2.8	386	114
291	388	Coastal Corp	100.5	66.3	269	190
292	243	Nabisco	99.8	–1.8	146	355
293	310	Baker International	99.4	28.8	162	326
294	348	Hilton Hotels	99.3	46.9	121	391
295	272	Jefferson-Pilot	99.1	12.3	193	285
296	305	Fluor	98.7	25.9	221	243
297	298	Lucky Stores	98.1	22.0	178	305
298	274	Jim Walter	98.0	11.7	85	461
298	302	Pacific Lighting	98.0	23.0	186	293
300	300	First Intl Bshs	97.9	22.2	134	372
301	263	Chubb	97.7	6.6	203	270
302	299	Combustion Engnrng	97.6	21.6	181	300
303	315	Air Prods & Chems	97.5	28.0	237	223
304	290	Ethyl	97.5	17.9	171	317
305	303	Texas Oil & Gas	97.3	23.3	219	246
306	294	Mellon National	96.4	17.4	134	370
307	160	General Public Utils	95.8	–31.0	290	170
308	416	Rohm & Haas	95.5	72.7	181	301
309	286	Winn-Dixie Stores	94.5	12.4	164	323
310	356	Black & Decker	94.4	42.6	128	384
311	438	ENSERCH	93.7	81.5	205	267
312	268	Gt Western Financial	93.1	3.8	102	429
313	128	J Ray McDermott	93.0	41.6	321	149
314	301	Esmark	92.4	15.4	209	263
315	292	Illinois Power	91.3	10.9	150	348
316	238	First Charter Finl	90.8	–13.8	105	423
317	308	Lubrizol	90.8	17.3	113	409
318	314	Combined Insurance	90.7	18.7	193	287
319	354	Gt Northern Nekoosa	90.3	35.7	161	329
320	271	Northrop	90.3	2.1	201	276
321	293	Allied Stores	90.1	9.5	131	
322	319	USLIFE	89.2	18.1	283	
323	333	Dun & Bradstreet	88.8	26.4	117	
324	313	Fruehauf	88.7	15.7	176	
325	312	Knight-Ridder News	88.4	15.1	122	
326	324	G D Searle	87.9	21.8	137	
327	167	American Airlines	87.4	–34.9	233	
328	329	N Y State Elec & Gas	87.4	23.8	118	
329	307	NICOR	87.4	12.6	200	
330	317	Koppers	86.5	13.8	158	
331	442	Resorts Intl	86.5	69.4	113	
332	318	Standard Brands	86.4	13.9	150	
333	306	Cincinnati G & E	85.7	10.3	124	
334	285	Kroger	85.7	1.3	173	
335	281	NL Industries	85.7	–0.7	193	
336	311	Capital Holding	84.8	10.3	205	
337	338	Hughes Tool	84.6	21.4	133	
338	322	Quaker Oats	84.5	14.8	140	
339	304	Potomac Elec Power	84.4	7.1	185	
340	374	First Natl Boston	84.2	33.9	148	
341	335	Gulf States Utils	84.2	20.0	165	
342	341	Walter Kidde	84.1	22.4	118	
343	323	Pillsbury	83.5	15.1	152	
344	387	General Signal	83.3	37.1	106	
345	331	Kemper	83.2	18.4	415	
346	358	Tandy	83.2	25.8	104	
347	■	American Petrofina	83.2	157.1	131	
348	321	Central Tel & Utils	83.1	12.5	235	
349	345	Ohio Casualty	83.0	21.8	148	
350	337	Chesebrough-Pond's	82.6	18.5	105	
351	336	B F Goodrich	82.6	17.8	191	
352	326	Wisconsin Elec Pwr	82.5	15.3	182	
353	367	Texas Commerce Bshs	82.4	28.0	115	
354	342	Marsh & McLennan	82.2	20.5	87	
355	363	Allegheny Power	81.8	25.1	202	
356	346	North Amer Philips	81.7	20.1	130	
357	221	Genl Tire & Rubber	81.7	–29.3	117	
358	316	Allis-Chalmers	81.4	7.0	103	
359	283	Northeast Utilities	80.8	–5.6	185	
360	398	National Gypsum	80.3	37.8	118	
361	381	Norton	80.2	29.5	117	
362	■	Tosco	79.6	319.2	103	
363	413	Belco Petroleum	79.0	42.1	117	
364	389	Texas Gas Transmn	79.0	30.8	175	
365	361	Duquesne Light	78.4	19.2	137	
366	359	Westvaco	77.9	18.1	148	
367	498	Intel	77.8	75.6	125	
368	■	Firestone	77.7	D–P	296	
369	■	St Joe Minerals	77.6	77.8	195	
370	■	Clark Oil & Refining	77.4	383.2	101	
371	■	American Financial	77.4	132.7	287	
372	404	Tektronix	77.2	35.7	96	
373	343	American Natl Ins	76.9	12.8	224	
374	372	McGraw-Hill	76.9	20.8	98	
375	377	No Indiana Pub Svc	76.9	22.8	151	
376	362	MGIC Investment	76.7	17.0	139	
377	379	R H Macy	76.4	22.9	125	
378	332	Burlington Inds	76.2	8.4	221	
379	211	Pan Am World Airways	76.1	–35.9	248	
380	349	Natl Detroit	75.6	12.1	86	

■ Not on 500 list in 1978. D–P Deficit to profit

GMC SPEAKS TO YOU ABOUT PROFIT:

YOU COULD BE DOLLARS AHEAD WITH A DIESEL.

Right off the bat we're going to tell you: A medium-duty GMC diesel truck is not right for every application. But if it happens to be right for yours, you may find that it can help save your business more time and money than you ever thought possible.

•1•

DIESELS CAN PAY OFF YOUR INITIAL INVESTMENT.

Although the time it takes to pay off the added initial cost of a diesel will depend upon your particular application, once you do, its many money-saving features are all yours to enjoy. Heavy-duty diesel construction means long life. And it's a fact that lifetime diesel costs are less than those of a comparable gasoline engine.

•2•

DIESELS CAN HELP CUT FUEL COSTS.

Not only do diesels require less fuel to develop the same horsepower and torque as comparably sized gasoline engines, they also idle on substantially less.

•3•

YOU'LL LIKE OUR THREE NEW DIESEL OPTIONS.

GMC now offers the Detroit Diesel Allison "Fuel Pincher" and the Caterpillar 3208. And, you can order the Cummins VT-225 (not available in California) for delivery after June 1, 1980.

•4•

DIESELS OFFER HIGH RESALE VALUE.

Best of all, when it comes time to sell your medium-duty diesel, you'll probably be very impressed with its high resale value. Talk to your GMC dealer about buying or leasing one right away. Because if it just so happens that a medium-duty diesel from GMC is right for your application, putting one on the job now could save you a lot of time and money—down the road.

GM
MARK OF EXCELLENCE

GMC TRUCKS ARE WHAT WE'RE ALL ABOUT.

Rank 1979	Rank 1978	Company	Net Profits ($000,000)	% Change Over 1978	Cash Flow ($000,000)	Cash Flow Rank 1979
381	340	Imperial Corp of Am	74.2	7.9	81	468
382	373	Provident Life & Acc	74.0	16.4	216	253
383	297	Florida Power	73.5	–9.8	171	316
384	351	New England Electric	73.5	9.3	153	339
385	392	Masco	73.1	21.4	94	445
386	355	McGraw-Edison	72.7	9.5	99	434
387	328	Utah Power & Light	72.6	2.1	131	379
388	353	Square D	72.6	8.9	90	450
389	383	Northwest Airlines	72.5	17.2	202	273
390	401	Republic of Texas	72.4	25.7	99	435
391	386	MAPCO	72.1	18.6	135	369
392	339	Colonial Penn Group	71.7	3.3	173	313
393	■	Crown Central Petrol	71.7	284.9	104	425
394	■	Allegheny Ludlum Inds	71.5	114.3	110	413
395	376	Olin	71.2	13.4	178	306
396	425	Marriott	71.0	30.8	141	360
396	369	Potlatch	71.0	10.7	120	393
398	382	GATX	71.0	14.6	232	232
399	309	So New England Tel	70.5	–8.9	207	265
400	480	Cabot	70.4	51.2	129	382
401	368	Crown Cork & Seal	70.4	9.4	114	407
402	352	San Diego Gas & Elec	70.2	5.0	74	486
403	371	Carter Hawley Hale	69.7	9.2	141	359
404	■	Williams Companies	69.5	440.6	196	281
405	393	Transco Companies	69.3	16.4	312	153
406	447	First City Bancorp	68.5	35.2	100	433
407	420	Adolph Coors	68.4	25.0	126	385
408	418	Irving Bank	68.3	23.8	80	471
409	■	American Motors	68.1	182.9	142	357
410	409	Heublein	68.1	20.5	98	436
411	395	Willamette Inds	67.9	14.2	105	421
412	402	Southland	67.5	18.2	134	373
413	430	Blue Bell	67.3	25.6	71	489
414	457	Sundstrand	67.1	34.7	106	417
415	■	IU International	67.0	455.7	167	319
416	■	Fuqua Industries	66.6	122.8	107	414
417	385	Armstrong Cork	66.0	8.0	115	403
418	428	Overseas Shipholding	65.9	22.0	106	419
419	380	Consol Freightways	65.9	6.3	114	405
420	414	Houston Oil & Min	65.7	18.1	211	260
421	■	Pioneer	65.6	93.0	136	367
422	456	Gulf United	65.1	30.7	160	330
423	488	Lone Star Industries	64.7	42.7	95	444
424	399	Seafirst	64.4	11.5	96	441
425	440	Vulcan Materials	63.8	24.4	111	411
426	427	Capital Cities Comm	63.8	18.0	78	476
427	487	Pitney Bowes	63.5	39.8	139	363
428	454	Amsted Industries	63.4	27.1	85	463
429	419	R R Donnelley & Sons	63.3	15.3	106	416
430	■	Nalco Chemical	63.3	61.5	83	464
431	467	Lear Siegler	63.3	31.3	90	451
432	411	Hyster	63.1	12.4	76	481
433	436	Harris Corp	63.1	20.9	101	431
434	357	Richardson-Merrell	63.0	4.9	87	455
435	415	Ryder System	63.0	13.8	263	196
436	421	White Consolidated	62.9	15.4	95	443
437	407	Big Three Industries	62.9	10.8	116	402
438	433	Evans Products	62.4	17.9	74	483
439	434	Becton, Dickinson	61.9	17.2	90	448
440	450	Genuine Parts	61.7	22.8	71	492
441	429	Diamond Intl	61.7	14.4	106	
442	461	MGM	61.6	24.8	101	
443	472	Dayton Power & Light	61.5	29.4	79	
444	410	Intl Flavors & Frag	61.5	9.4	74	
445	■	Mitchell Enrgy & Dev	61.5	81.8	146	
446	■	Homestake Mining	61.4	97.8	54	
447	423	Ideal Basic Inds	60.9	12.0	98	
448	431	Ark Louisiana Gas	60.8	14.0	129	
449	■	GK Technologies	60.8	139.7	54	
450	■	Commonwealth Oil	60.5	D–P	78	
451	406	Liberty Natl Life	60.5	6.5	188	
452	464	Petrolane	60.2	23.6	107	
453	■	Columbus & So Ohio	60.0	50.6	87	
454	443	Fort Howard Paper	59.8	17.5	86	
455	378	GEICO	59.5	–4.6	79	
456	■	Tesoro Petroleum	59.3	90.4	79	
457	446	Jack Eckerd	59.3	17.1	76	
458	460	Boston Edison	58.9	19.1	136	
459	481	CBI Industries	58.7	26.4	94	
460	422	Toledo Edison	58.6	7.6	83	
461	■	NVF	58.6	60.6	77	
462	476	Cameron Iron Works	58.4	23.9	87	
463	449	Trans Union	58.2	15.2	160	
464	360	Libbey-Owens-Ford	58.1	–11.7	98	
465	366	Cummins Engine	57.9	–10.0	90	
466	493	Foremost-McKesson	57.7	28.8	77	
467	350	Eastern Air Lines	57.6	–14.3	242	
468	424	Ogden	57.5	5.9	114	
469	396	Twentieth Century-Fox	57.3	–1.9	37	
470	441	Rexnord	57.3	11.9	81	
471	403	Roadway Express	57.2	0.5	112	
472	494	Dover	57.1	27.3	71	
473	437	AmeriTrust	57.0	9.7	81	
474	390	So Carolina E & G	57.0	–5.5	82	
475	432	Penn Central	57.0	7.5	146	
476	417	Champion Spark Plug	56.9	2.8	76	
477	408	Archer Danls Midland	56.4	–0.3	93	
478	■	Amfac	56.4	33.0	128	
479	426	Bucyrus-Erie	56.2	3.5	70	
480	375	Holiday Inns	55.9	–11.0	218	
481	400	Public Service Colo	55.8	–3.3	120	
482	■	Centl Louisiana Engy	55.6	106.1	86	
483	■	Cincinnati Milacron	55.4	67.1	71	
484	■	Crane	55.0	55.6	133	
485	■	Hospital Corp of Am	55.0	30.8	123	
486	455	Tecumseh Products	54.9	10.2	67	
487	■	Public Service N M	54.8	46.3	72	
488	500	Consolidated Papers	54.8	24.9	74	
489	■	Southland Royalty	54.8	28.7	110	
490	435	Smith International	54.6	4.7	81	
491	■	Hanna Mining	54.6	113.7	28	
492	■	Avnet	54.5	37.6	58	
493	■	Pittston	54.5	116.0	150	
494	■	Ex-Cell-O	54.2	37.6	79	
495	405	Liggett Group	53.9	–5.2	85	
496	334	Emhart	53.7	–23.5	88	
497	465	Tucson Electric Pwr	53.5	10.5	72	
498	■	Hershey Foods	53.5	29.1	86	
499	473	Delmarva Power & Lt	53.4	12.5	96	
500	478	ARA Services	52.6	12.4	102	

■ Not on 500 list in 1978. D–P Deficit to profit.

MAI wishes all its shareholders many happy returns.

When investors evaluate a company's performance, they look with particular interest at two extremely revealing categories, "Return on Shareholders' Equity" and "Return on Capital."

We invite you to compare MAI's performance in these categories with several of the largest companies in the information processing industry.

Naturally, we're proud of our performance.

And just as proud of our performance in other important categories. (For instance, over the past five years our sales have grown at an annually compounded rate of 28%, while our profits have increased at a rate substantially greater.)

If you would like the complete picture of the growth of the MAI companies and the extent of our manufacturing, sales and service operations here in the U.S. and in over 30 countries internationally, write for our Annual Report to: Management Assistance Inc., 300 East 44th Street, New York, NY 10017.

	Return on Equity (%)	Return on Capital (%)
Burroughs	15.1	15.0
Data General	21.3	17.9
Digital Equipment	18.7	15.3
IBM	21.2	19.6
MAI	**24.2**	**18.8**
NCR	16.9	14.6

Twelve months ended December 31, 1979

It Takes A Smart Company To Make Computer Technology Simple.

MAI

The MAI Companies: Basic Four Corporation • MAI International Corporation • Sorbus Inc.

500'S

SALES
ASSETS
PROFITS
MARKET VALUE

THE FORBES ASSETS 500

The smallest of these 500 asset-rich companies showed assets pushi $1.5 billion. Which tells us that while U.S. business may be getti bigger, it isn't becoming more concentrated.

IT IS APPROPRIATE, WE SUPPOSE, that in times of rapid inflation bank assets should grow faster than those of other enterprises; it is money that fuels inflation and money is the raw material of banking. Look at the FORBES 500 Assets list. Of the ten largest corporations in terms of assets, all but two are financial institutions. Not even the oil companies can compete: Only one, Exxon, makes the top ten.

Major financial companies, their assets swollen by the frantic business borrowing that created the soaring interest rates, continued to dominate the assets list in 1979, with 29 of the top 50 companies. *Their* assets are responsive to inflation to a degree not characteristic of manufacturing plant and equipment, which are generally valued and depreciated on a historical-cost basis.

But the biggest assets gains in percentage terms were to be explained not by industry position but by the drive to tack on assets through acquisition. The growth leader in this year's assets ranking is Alleghany Corp., whose merger with its longtime affiliate mutual fund manager, Investors Diversified Services, lifted its assets 860% and vaulted it from nowhere to 225th place. (Its earnings rose only 70.7%, to $48.3 million, not enough to make the Profits 500.) Oil and gas equipment maker Cooper Industries and conglomerate McGraw-Edison also made

Rank 1979	Rank 1978	Company	Assets ($000,000)	% Change Over 1978
1	1	**American Tel & Tel**	113,769	10.1
2	2	**BankAmerica**	108,389	14.2
3	3	**Citicorp**	106,371	22.0
4	4	**Chase Manhattan**	64,708	5.8
5	5	**Fedl Natl Mortgage**	51,300	17.9

the list with acquisition-spurred assets gains of over 1

The other side of acquisition is divestiture, which l companies to lose assets. The top loser was INA, off 24.7 shucking Blyth Eastman. Other shrinkers tended to be financial firms (First Pennsylvania, Fidelcor, Hartford Na al) or automotive outfits like Chrysler, Firestone and Uni all undergoing surgery for removal of swollen assets.

If there is a lesson in the assets list, it is this: In sp mergers and market concentration, U.S. industry remai markably decentralized. The smallest company on the 5(had assets of nearly $1.5 billion. Think of it! Five hu giant companies! Business power, far from becoming co trated, is probably as dispersed as at any time in recent his

It's not a family business, but it's still a family.

It's Bill, the company's best salesman, who taught you hing or two. It's Mary Ann, the secretary who always nembers your birthday. Co-workers who share suc-sses — and disappointments. For millions of America's rkers, it's the family away from home — eight hours a y, year after year.

At USLIFE Corporation, we believe the well-being of se on-the-job families is important to every business. cause it can improve productivity — d profits.

One way we help is by providing sinesses of all kinds with low-cost insurance plans and other employee benefit programs. That has helped USLIFE become one of America's largest life insurers — and in just 13 years. And with ten life insurance and ten other financial services companies in our organization, you might say USLIFE is a family of companies. The family that can insure the family in your business. Just look for the USLIFE company in your area.

And the next time someone where you work has an anniversary or a birthday, why not join the celebration. Remember, it's all in the family.

USLIFE

life is a family affair

USLIFE CORPORATION
125 Maiden Lane, N.Y., N.Y. 10038

FAMILY OF COMPANIES
United States Life Insurance Company • USLIFE Life Insurance Company of California • USLIFE Credit Life • Great National Life • Old Line Life • All American Life • General United Life • ln Liberty Life • Sooner Life • Security of America Life • USLIFE Advisers, Inc. • USLIFE Credit Corporation • USLIFE Equity Sales • USLIFE Financial and Insurance Services • USLIFE Realty • FE Real Estate Services • USLIFE Savings and Loan Association • USLIFE Systems • USLIFE Title Insurance Company of Dallas • USLIFE Title Insurance Company of New York

If you drive in mid-America, you have probably driven with Esmark.

If you have filled your gas tank at any of the Vickers service stations located throughout 18 of the central U.S. states, you indeed have "driven with Esmark," for Vickers is an Esmark company.

Vickers Energy Corporation is a fully integrated petroleum company, from exploration and development to refining and marketing. One of its major operating companies is TransOcean Oil, Inc., which has important reserves of oil and natural gas in the Gulf of Mexico, and the south and southeast mainland. Vickers self-service retail outlets are star performers, and star performance is an Esmark objective.

Food.

Esmark's branded, value-added food products are produced by Swift & Company, a name respected by American families for 125 years. Swift, among other achievements, is the number one producer of branded breakfast meats, including Sizzlean® Breakfast Strips, Brown 'N Serve™ Sausage, Lazy Maple® bacon, Firebrand® Strips, and Swift Premium® bacon.

Personal products.

Esmark's champion in this highly competitive market is International Playtex, whose name identifies more bras and girdles than those of any other U.S. manufacturer. Playtex® household rubber gloves and disposable infant feeding systems are also first in the U.S. Playtex hosiery sales have more than doubled since 1977.

Automotive aftermarket.

Esmark serves this lively market with not one, but two famous product lines: Jensen® integrated high-fidelity automotive speakers, and STP® do-it-yourself car-care products. Jensen is the largest-selling brand in its field, and STP's popular packaged products are known and used in more than 130 countries. STP® Gas Treatment finds ever-increasing favor with today's mileage-conscious motorists.

Chemicals and industrial products.

Esmark's company in this major market category is Estech, whose popular Vigoro® lawn and garden care products are best-sellers from coast to coast. The country's finest golf courses rely on Estech's Par-Ex® plant nutrients to keep the greens greener, and experienced farmers rely on Estech's Harvest King® chemical fertilizers to assure maximum yields of critical crops.

Esmark: seeking continued growth through intelligent service in the marketplace, and the quality products of its consumer-conscious companies.

Esmark's record justifies its optimism.

Esmark was formed on the foundations of Swift & Company, and became fully operational in mid-1973. Its revenues have increased from $4 billion in fiscal 1973 to approximately $7 billion in 1979, and total assets have more than doubled to $2.4 billion. Net earnings in the same period increased from $48.8 million to more than $90 million. The dividend per common share is currently $1.84, up from $.60 in 1973.

Esmark, Inc., 55 East Monroe Street, Chicago, IL 60603. Ticker symbol: ESM.

REGULAR
UNLEADED
Vickers
DGS-123
Vickers
REGULAR PREMIUM
Vickers
REGULAR PREMIUM
UNLEADED
Vickers
Vickers
Vickers

ESMARK

Rank 1979	Rank 1978	Company	Assets ($000,000)	% Change Over 1978
6	6	Exxon	49,490	19.2
7	7	Mfrs Hanover	47,675	17.4
8	8	J P Morgan	43,488	12.8
9	9	Chemical New York	39,375	20.2
10	10	Continental Illinois	35,790	15.2
11	11	General Motors	32,023	5.3
12	13	Bankers Trust N Y	30,953	19.7
13	15	Aetna Life & Cas	30,228	24.6
14	16	First Chicago	30,182	25.4
15	12	Western Bancorp	29,687	14.4
16	18	Mobil	27,506	21.6
17	14	Sears Roebuck	26,391	8.0
18	17	Intl Tel & Tel	26,178	12.2
19	20	Security Pacific	24,923	15.2
20	21	IBM	24,530	18.1
21	19	Ford Motor	23,510	6.5
22	22	Texaco	22,992	13.5
23	23	Wells Fargo	20,593	10.6
24	24	Travelers	19,160	11.4
25	26	General Tel & Elec	18,406	13.1
26	25	Standard Oil Calif	18,095	8.0
27	27	Gulf Oil	17,265	14.8
28	31	Standard Oil Ind	17,150	21.6
29	29	American Express	17,108	16.6
30	32	Irving Bank	16,702	19.5
31	27	General Electric	16,645	10.7
32	33	Crocker National	16,139	15.9
33	42	Shell Oil	16,127	54.3
34	30	Marine Midland Bks	15,728	10.1
35	34	Connecticut General	14,950	10.8
36	35	Atlantic Richfield	13,833	14.7
37	38	First Natl Boston	13,760	19.1
38	37	Mellon National	13,508	15.6
39	40	Northwest Bancorp	12,416	13.8
40	39	H F Ahmanson	12,137	10.9
41	43	First Bank System	12,118	16.1
42	44	Tenneco	11,631	14.8
43	45	First Intl Bshs	11,504	14.8
44	41	United States Steel	11,030	4.7
45	50	Republic of Texas	10,798	17.0
46	52	Merrill Lynch	10,556	22.1
47	46	Southern Company	10,552	6.9
48	53	Pacific Gas & Elec	10,311	21.3
49	51	Dow Chemical	10,252	16.6
50	55	First Charter Finl	9,549	14.7
51	49	Natl Detroit	9,506	2.0
52	63	First City Bancorp	9,505	25.6
53	54	Gt Western Financial	9,454	11.4
54	64	Conoco	9,311	25.1
55	59	Texas Commerce Bshs	9,260	15.4
56	56	Standard Oil Ohio	9,209	10.6
57	60	Commonwlth Edison	9,173	5.2
58	65	Bank of New York	8,994	23.5
59	36	INA	8,987	–24.7
60	47	First Pennsylvania	8,987	–7.4
61	57	E I du Pont	8,940	10.8
62	62	Loews	8,843	14.2
63	61	Union Carbide	8,803	11.9
64	58	American Elec Power	8,780	8.9
65	69	Phillips Petroleum	8,519	22.8
66	66	Seafirst	8,401	16.6
67	118	Beneficial Corp	8,221	68.2
68	73	Transamerica	7,984	19.1
69	70	Lincoln National	7,771	13.3
70	72	Eastman Kodak	7,547	11.1
71	86	Sun Company	7,461	35.7
72	67	Continental Corp	7,458	6.0
73	71	Consolidated Edison	7,133	4.4
74	75	Harris Bankcorp	7,108	13.9
75	77	So Calif Edison	6,977	15.2
76	79	City Investing	6,865	18.7
77	74	Westinghouse Elec	6,822	8.0
78	76	Control Data	6,785	9.7
79	88	Household Finance	6,729	23.5
80	68	Chrysler	6,653	–4.7
81	82	Xerox	6,554	17.5
82	78	Amer Genl Insurance	6,548	11.7
83	80	Imperial Corp of Am	6,521	13.6
84	85	Middle South Utils	6,503	18.2
85	138	United Technologies	6,426	57.7
86	114	R J Reynolds Inds	6,422	39.1
87	81	Philip Morris	6,379	13.7
88	99	NCNB	6,365	28.8
89	84	Pub Svc Elec & Gas	6,104	10.6
90	108	Getty Oil	6,032	27.8
91	83	Union Oil California	6,013	8.8
92	103	RCA	5,988	22.9
93	91	Va Electric & Power	5,961	14.4
94	87	Philadelphia Natl	5,916	7.8
95	92	Texas Utilities	5,822	12.8
96	209	Engelhard Minerals	5,800	103.3
97	113	American Intl Group	5,727	23.7
98	98	Procter & Gamble	5,664	13.6
99	106	K mart	5,642	16.7
100	97	Duke Power	5,626	12.9
101	100	Consumers Power	5,579	13.0
102	107	Walter E Heller Intl	5,566	16.5
103	126	Pittsburgh National	5,563	27.7
104	116	Occidental Petroleum	5,560	20.7
105	95	Monsanto	5,539	10.1
106	96	Caterpillar Tractor	5,403	7.4
107	94	AmeriTrust	5,402	5.7
108	93	Michigan National	5,399	5.2
109	109	Penn Central	5,392	14.4
110	90	Goodyear	5,371	2.7
111	102	Northern Trust	5,358	9.9
112	111	Avco	5,300	14.4
113	128	Intl Harvester	5,247	21.6
114	104	Phila Electric	5,241	8.1
115	125	Valley Natl Bk Ariz	5,199	17.9
116	101	Bethlehem Steel	5,166	
117	119	Gulf & Western Inds	5,160	1
118	112	Detroit Edison	5,146	1
119	110	First Wisconsin	5,107	
120	121	Wachovia	5,097	1
121	124	Union Pacific	5,087	1
122	105	J C Penney	5,077	
123	120	DETROITBANK	5,067	1
124	135	Southeast Banking	5,028	2
125	127	Southern Pacific	5,025	1
126	117	BancOhio	5,005	1
127	115	General Public Utils	4,992	
128	140	National City	4,972	2
129	122	Weyerhaeuser	4,958	1
130	157	Amerada Hess	4,899	4
131	149	Boeing	4,897	3
132	142	First Boston	4,891	2
133	123	Florida Power & Lt	4,848	
134	133	International Paper	4,843	1
135	139	Cities Service	4,773	1
136	131	Alcoa	4,711	1
137	134	Mercantile Texas	4,709	1
138	137	Minn Mining & Mfg	4,575	1
139	129	Manufacturers Natl	4,526	
140	132	Rainier Bancorp	4,496	
141	136	U S Bancorp	4,431	
142	160	Republic New York	4,408	3
143	200	Schlumberger	4,375	4
144	130	Girard	4,360	
145	144	Mercantile Bancorp	4,327	1
146	146	Marathon Oil	4,321	1
147	150	NLT	4,253	1
148	145	Burlington Northern	4,228	
149	171	Allied Chemical	4,210	3
150	143	Deere	4,179	
151	151	Rockwell Intl	4,128	1
152	161	Georgia-Pacific	4,118	2
153	153	St Paul Companies	4,101	1
154	141	Citizens & Southern	4,060	
155	179	Gibraltar Financial	4,041	2
156	156	AMAX	3,937	1
157	172	Amer Natl Resources	3,929	2
158	158	Halliburton	3,923	1
159	154	First Union Bancorp	3,898	1
160	166	Golden West Finl	3,889	1
161	152	Santa Fe Industries	3,883	1
162	164	United Telecom	3,873	1
163	147	LTV	3,865	
164	148	UAL	3,862	
165	163	Houston Industries	3,835	1
166	162	Pa Power & Light	3,782	1
167	177	Coastal Corp	3,776	
168	174	Maryland National	3,732	1
169	168	W R Grace	3,729	1
170	167	Sperry	3,724	1

The Pioneering Spirit Develops More Energy Sources

An event of 50 years ago will have an effect on America's energy supply well into the 1980s, and beyond. In 1930, some 40 pioneering oil and gas companies merged to form United Gas Corporation. As the years passed, and United Gas became United Energy Resources, Inc., the pioneering spirit stayed with us.

Now, we're planning for the future. We've budgeted $380 million for 1980 capital investment programs to help develop various sources of energy.

We plan to spend $260 million in 1980 on projects to increase gas reserves and sales of our interstate and intrastate gas transmission systems, and $102 million for oil and gas exploration, production and acreage acquisition. Other expenditures will be for our contract drilling and well servicing operations and for our liquid fuels terminaling and marketing enterprises.

United Energy subsidiaries include United Gas Pipe Line Company, United Texas Transmission Company, Cotton Petroleum Corporation, United Energy Services Company, Petro-United, Inc., UER AG (formerly Enertrade AG), and other energy related companies.

For a copy of our latest annual report, write our Corporate Headquarters, P.O. Box 1478, Houston, Texas 77001. Or call 1-800-392-8644 (Texas) or 1-800-231-7240 (U.S.A.).

UNITED ENERGY RESOURCES, INC.
Pioneers in Energy

BLACK MAGIC

Today's Bunker Ramo is making it a lot easier for millions of Americans to put money in the bank.

you use a commercial bank, avings and loan association, mutual avings bank or credit union, you're robably used to standing in line.

But if you bank at one that uses unker Ramo's Bank Control or hrift System 90, you probably aven't stood in line in ages.

That's because Bunker Ramo's ystem 90 family operates in real me and provides the automated evices required for superior ustomer service—from the simplest f teller terminals to the most ophisticated of teller equipment to dministrative terminals for anagement control. Because the ystem is modular, it provides the ommercial bank or thrift institution ith future growth and expansion without wasting money. Because the system completes transactions in seconds, it helps customers make their deposits or withdrawals without wasting time.

Today, Bunker Ramo is a major producer of the data terminals and minicomputers that comprise the information systems widely used by commercial banks, thrift institutions, insurance companies, and brokerage houses. In addition, through our well-known Amphenol® connectors, we have a leading position in the aerospace and aircraft industries, a strong foothold in telecommunications, and a growing role in fiber optics.

Most important, we are a company with a reservoir of high technology, a solid base of innovative products, and a strong management team.

Which is why today's Bunker Ramo is a company that's on the move. For our latest financial reports, write Bunker Ramo Corporation, Dept. FR, 900 Commerce Drive, Oak Brook, Illinois 60521.

BUNKER RAMO

Rank 1979	Rank 1978	Company	Assets ($000,000)	% Change Over 1978
171	175	U S Fidelity & Gty	3,680	14.6
172	189	Central & South West	3,673	19.1
173	203	American Brands	3,671	26.7
174	243	Beatrice Foods	3,669	43.3
175	180	Barnett Banks Fla	3,663	15.4
176	184	Carolina Pwr & Lt	3,648	16.3
177	159	Columbia Gas Sys	3,626	6.1
178	191	Teledyne	3,620	18.1
179	173	IC Industries	3,618	12.2
180	198	Continental Group	3,595	20.0
181	193	El Paso	3,570	17.6
182	190	Southwest Bancshs	3,558	15.7
183	176	Niagara Mohawk Pwr	3,529	10.7
184	194	Crum & Forster	3,520	16.2
185	195	Long Island Lighting	3,460	14.7
186	155	Firestone	3,457	–0.9
187	170	BanCal Tri-State	3,447	6.1
188	196	Ohio Edison	3,446	14.5
189	169	First Security	3,426	5.3
190	165	Chessie System	3,419	3.8
191	181	Centran	3,416	8.3
192	182	Seaboard Coast Line	3,402	8.3
193	202	Burroughs	3,387	15.8
194	187	McDonnell Douglas	3,381	9.1
195	212	Honeywell	3,340	18.2
196	349	E F Hutton Group	3,316	77.0
197	178	J Ray McDermott	3,301	3.7
198	199	Federated Dept Stores	3,295	11.5
199	207	California First Bnk	3,265	14.2
200	188	Armco	3,260	5.3
201	222	Texas Eastern	3,237	19.5
202	228	USLIFE	3,228	21.5
203	213	Industrial National	3,225	14.4
204	183	United Va Bankshares	3,216	2.4
205	192	Northeast Utilities	3,216	5.6
206	217	American Airlines	3,182	15.0
207	185	Lincoln First Banks	3,180	1.4
208	215	Union Electric	3,169	13.2
209	186	National Steel	3,160	1.0
210	204	Shawmut	3,142	8.7
211	250	Pacific Pwr & Lt	3,129	26.7
212	211	First Union	3,121	10.4
213	205	Ashland Oil	3,113	7.9
214	206	First Natl State Bcp	3,110	8.0
215	210	Safeway Stores	3,101	9.3
216	218	Pfizer	3,049	11.1
217	208	Champion Intl	3,040	6.5
218	281	Society	3,019	32.4
219	214	Peoples Energy	3,003	7.0
220	197	First Atlanta	3,000	–0.4
221	266	American Financial	2,999	27.1
222	224	Kaiser Alum & Chem	2,975	11.1
223	233	Continental Tel	2,945	12.6
224	239	Coca-Cola	2,938	13.8
225	▪	Alleghany	2,938	860.4
226	268	Texas American Bshs	2,929	24.8
227	223	F W Woolworth	2,927	8.1
228	221	Reynolds Metals	2,923	7.9
229	237	NCR	2,918	12.4
230	235	Owens-Illinois	2,910	12.0
231	255	PepsiCo	2,888	19.4
232	229	Southern Railway	2,887	8.9
233	269	Midlantic Banks	2,880	22.8
234	263	Johnson & Johnson	2,874	20.6
235	227	Warner-Lambert	2,874	7.7
236	283	Sun Banks of Florida	2,872	27.0
237	234	Trust Co of Georgia	2,856	9.3
238	226	Baltimore Gas & Elec	2,856	6.8
239	282	Litton Industries	2,854	25.2
240	254	Signal Companies	2,851	17.6
241	220	BayBanks	2,849	5.1
242	201	Fidelcor	2,837	–3.9
243	246	American Cyanamid	2,827	11.9
244	230	Norfolk & Western Ry	2,819	6.5
245	260	Trans World	2,807	17.6
246	225	Allegheny Power	2,801	4.7
247	231	Jefferson-Pilot	2,790	6.6
248	244	American Natl Ins	2,787	9.2
249	259	InterNorth	2,786	16.7
250	232	Kennecott Copper	2,785	6.5
251	247	CBT	2,764	9.6
252	238	Republic Steel	2,750	6.4
253	271	Transco Companies	2,745	17.3
254	249	American Fletcher	2,730	10.4
255	236	Inland Steel	2,725	4.9
256	458	Superior Oil	2,721	87.7
257	279	General Reinsurance	2,707	17.0
258	273	First Tennessee Natl	2,700	15.6
259	272	Reliance Group	2,693	15.2
260	253	Riggs Natl Bank	2,687	10.8
261	248	American Can	2,682	8.2
262	326	Bache Group	2,681	31.7
263	276	Cleveland Elec Illum	2,679	14.9
264	321	Pan Am World Airways	2,677	30.7
265	242	Paine Webber	2,672	4.0
266	258	Alabama Bancorp	2,671	11.7
267	240	Equimark	2,661	3.1
268	257	Commerce Bancshrs	2,653	9.9
269	300	Washington National	2,650	23.5
270	274	PPG Industries	2,649	13.4
271	287	Panhandle Eastern	2,646	17.9
272	251	No States Power	2,620	6.9
273	277	TRW	2,620	12.6
274	284	Merck	2,614	16.1
275	289	State Street Boston	2,598	17.0
276	219	Hartford Natl	2,591	–4.7
277	275	Consol Natural Gas	2,579	10.6
278	252	General Foods	2,565	5.4
279	288	Huntington Bshs	2,553	13.8
280	270	Donaldson, Lufkin	2,532	8.2
281	261	United Jersey Banks	2,525	
282	292	Banc One	2,524	1
283	280	Kraft	2,523	
284	256	Virginia Natl Bshs	2,521	
285	295	Safeco	2,507	1
286	267	Dresser Industries	2,504	
287	278	First Natl Bancorp	2,499	
288	286	Chubb	2,490	1
289	291	Provident National	2,488	1
290	324	Arizona Public Serv	2,475	2
291	305	Banco Popular PR	2,472	1
292	265	Capital Holding	2,467	
293	296	Borden	2,463	1
294	342	Eastern Air Lines	2,453	2
295	323	New England Merch	2,451	2
296	317	Gulf States Utils	2,439	1
297	285	FMC	2,435	
298	262	Colgate-Palmolive	2,429	
299	318	Diamond Shamrock	2,418	1
300	307	Missouri Pacific	2,411	1
301	319	Pacific Lighting	2,403	1
302	293	Financial Federation	2,397	
303	303	Esmark	2,390	1
304	329	Norton Simon	2,389	1
305	298	Celanese	2,380	1
306	302	United Banks of Colo	2,370	1
307	264	Eaton	2,355	–
308	334	McDonald's	2,354	2
309	371	Fidelity Financial	2,345	3
310	322	Public Service Ind	2,342	1
311	294	Fidelity Union Bncp	2,342	
312	327	Kerr-McGee	2,339	1
313	290	Johns-Manville	2,324	
314	309	No Indiana Pub Svc	2,319	1
315	313	American Security	2,318	1
316	301	Bank of Virginia	2,318	
317	325	Bendix	2,311	1
318	332	Boise Cascade	2,309	1
319	328	Nationwide	2,304	1
320	299	First & Merchants	2,297	
321	316	Raytheon	2,297	1
322	297	Financial General	2,293	
323	311	Pennzoil	2,292	1
324	341	MCA	2,277	
325	304	St Regis Paper	2,261	
326	367	Allied Bancshares	2,260	2
327	314	GATX	2,258	
328	422	Kemper	2,242	4
329	216	IU International	2,229	–2
330	310	Potomac Elec Power	2,227	
331	315	Duquesne Light	2,223	
332	336	Illinois Power	2,215	1
333	337	Northwest Industries	2,197	1
334	343	Ralston Purina	2,183	
335	369	CBS	2,180	2

▪ Not on 500 list in 1978.

Corporate finance:

A word with the key Swiss bank could open the way for you.

Left to right: William T. Mundt, Vice President; Klaus B. Jensen, Vice President; Robert K. Imholte, Assistant Vice President; Joel H. Stewart, First Vice President and Frederick C. Broda, Vice President

When it comes to corporate finance, Swiss Bank Corporation is recognized as a leader throughout the world. In America our expertise and personal, prompt attention have proven to be invaluable assets in helping corporations cope and prosper in an increasingly complicated financial environment.

We have been committed to serving the American business community here for 40 years and in that time have demonstrated our capability of handling its financial needs with great success. With over 800 dedicated professionals in the United States, 700 of whom are in New York, we provide expertise in all areas of corporate finance: mergers and acquisitions, private placements, Eurocurrency underwritings, as well as domestic and international syndicated credit facilities, backup lines, export and commodities financing.

If your company can benefit from the expertise of a major international banking group, call Swiss Bank Corporation. Our keys have been opening financial doors around the world since 1872.

Swiss Bank Corporation

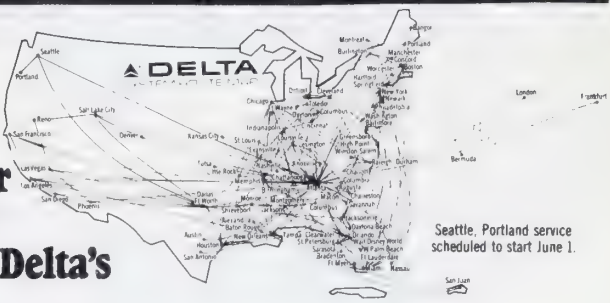
Main Office U.S.A.: New York, Four World Trade Center, 10048, 212/938-3500.
Branches: Chicago, 150 S. Wacker Drive, 60606, 312/346-0350 and San Francisco, 120 Montgomery St., 94104, 415/434-2640.
Agency: Atlanta, 235 Peachtree St., N.E., 30303, 404/522-1600.
Representative Offices: Houston, One Allen Center, 77002, 713/658-0561, Los Angeles, 800 W. Sixth St., 90017, 213/489-5900.

Rank 1979	Rank 1978	Company	Assets ($000,000)	% Change Over 1978
336	320	Eli Lilly	2,179	6.3
337	333	Crown Zellerbach	2,161	10.0
338	351	Florida Natl Banks	2,135	14.5
339	306	Indiana National	2,130	1.3
340	330	Ingersoll-Rand	2,128	6.6
341	344	Provident Life & Acc	2,125	12.0
342	308	Central Bancorp	2,123	1.1
343	388	Lockheed	2,113	24.9
344	365	May Dept Stores	2,107	17.8
345	359	Kimberly-Clark	2,105	15.3
346	362	Time Inc	2,104	16.8
347	353	American Home Prod	2,091	12.3
348	393	Consolidated Foods	2,089	25.6
349	366	First Kentucky Natl	2,089	16.8
350	355	First Maryland Bncp	2,088	12.4
351	357	Combustion Engnrng	2,083	13.4
352	338	B F Goodrich	2,082	7.8
353	331	Textron	2,079	4.6
354	465	Baldwin-United	2,071	44.7
355	354	CPC International	2,068	11.1
356	360	Jim Walter	2,049	13.3
357	■	PennCorp Financial	2,047	25.8
358	335	Equitable Bancorp	2,039	4.8
359	340	Southwestern Life	2,016	5.4
360	356	Dominion Bankshares	2,013	9.0
361	348	Marshall & Ilsley	2,013	6.9
362	312	Williams Companies	2,012	–3.3
363	372	Public Service Colo	2,011	15.2
364	347	United Bank Corp NY	2,007	6.3
365	370	General Dynamics	2,005	12.7
366	339	Phelps Dodge	2,000	4.4
367	352	Tenn Valley Bancorp	1,999	7.3
368	382	Bancorp Hawaii	1,986	16.0
369	378	Cincinnati G & E	1,981	15.2
370	376	United States Trust	1,971	13.9
371	409	ASARCO	1,970	21.4
372	405	Tiger International	1,965	20.3
373	345	Key Banks	1,957	3.3
374	386	Utah Power & Light	1,955	14.9
375	346	Burlington Inds	1,954	3.5
376	361	Liberty Natl Life	1,947	7.9
377	459	Gulf United	1,931	33.2
378	426	Arizona Bank	1,927	22.3
379	398	Anheuser-Busch Cos	1,926	16.9
380	■	McGraw-Edison	1,924	185.8
381	387	Bristol-Myers	1,922	13.3
382	383	First Natl Charter	1,919	12.5
383	374	Florida Power	1,914	10.1
384	358	New England Electric	1,912	4.2
385	448	Texas Instruments	1,908	27.7
386	363	Dart Industries	1,907	6.4
387	394	Motorola	1,903	14.9
388	454	Hewlett-Packard	1,900	30.0
389	364	Indust Valley Bank	1,893	5.7
390	379	ENSERCH	1,881	9.6
391	390	Boatmen's Bancshs	1,879	11.9
392	445	Murphy Oil	1,877	23.8
393	392	Stauffer Chemical	1,876	12.5
394	407	TRANSOHIO Financial	1,874	15.3
395	412	Cullen/Frost Bankers	1,868	15.6
396	450	Digital Equipment	1,863	24.9
397	368	Southern Bancorp Ala	1,847	3.7
398	373	Flagship Banks	1,847	5.8
399	415	General Mills	1,835	13.8
400	402	Dayton-Hudson	1,833	11.9
401	406	First Amtenn	1,832	12.5
402	428	Wisconsin Elec Pwr	1,831	8.5
403	410	Scott Paper	1,830	12.8
404	389	First Alabama Bshs	1,829	8.1
405	421	Citizens Fidelity	1,827	14.7
406	408	Third National	1,823	12.3
407	423	Portland Genl Elec	1,821	14.7
408	377	Greyhound	1,819	5.4
409	384	First Empire State	1,818	6.7
410	396	Borg-Warner	1,817	10.0
411	411	First Florida Banks	1,815	12.1
412	■	Kaneb Services	1,813	20.7
413	391	Atlantic Bancorp	1,806	7.7
414	496	Pillsbury	1,804	40.7
415	385	Genl Tire & Rubber	1,797	5.6
416	434	So Natural Resources	1,794	16.6
417	420	Squibb	1,793	12.5
418	430	American B & T Pa	1,793	16.0
419	444	Trans Union	1,791	17.6
420	399	Delta Air Lines	1,788	8.6
421	414	Dean Witter Reynolds	1,788	10.7
422	433	San Diego Gas & Elec	1,783	15.7
423	400	Merchants National	1,782	8.4
424	395	Kroger	1,776	7.4
425	427	Martin Marietta	1,774	13.3
426	429	First Oklahoma Bncp	1,769	14.0
427	419	Hercules	1,761	10.3
428	436	No Calif Savings	1,760	14.6
429	397	Central Bancshares	1,757	6.5
430	462	First United Bancorp	1,757	21.8
431	473	Dana	1,756	25.3
432	375	Western Union	1,756	1.0
433	452	United Missouri Bshs	1,755	19.4
434	424	Natl Central Financl	1,754	10.6
435	413	First National Cinc	1,753	8.5
436	380	Central Fidelity Bks	1,752	2.1
437	418	N Y State Elec & Gas	1,738	8.4
438	401	Old Kent Financial	1,730	5.5
439	456	Abbott Laboratories	1,729	19.0
440	■	Charter	1,729	150.6
441	417	Whitney Holding	1,729	7.5
442	475	Fin Cp Santa Barbara	1,727	23.9
443	435	Marine	1,716	11.6
444	404	First American Bank	1,713	4.8
445	453	NICOR	1,710	16.6
446	491	Emerson Electric	1,698	3
447	461	First Hawaiian	1,697	1
448	■	Utd Energy Resources	1,693	5
449	432	Northwestern Finl	1,688	
450	350	Uniroyal	1,669	-1
451	438	Idaho First Natl Bk	1,669	
452	403	National Distillers	1,665	
453	437	Central Tel & Utils	1,664	
454	471	Houston Natural Gas	1,663	1
455	449	Sumitomo Bank Cal	1,662	1
456	431	Boston Edison	1,659	
457	441	Oklahoma Gas & Elec	1,652	
458	466	Western Financial	1,652	1
459	443	So Carolina E & G	1,650	
460	446	Texasgulf	1,648	
461	442	Mead	1,636	
462	499	Amer Savings & Loan	1,632	2
463	460	Equitable of Iowa	1,628	1
464	484	H J Heinz	1,624	2
465	468	Continental Bank	1,620	1
466	451	So New England Tel	1,617	
467	469	Gould	1,613	1
468	■	Schering-Plough	1,593	3
469	463	Broadview Financial	1,589	1
470	425	Rapid-American	1,588	
471	381	NL Industries	1,587	–
472	416	No States Bancorp	1,584	–
473	490	Warner Commun	1,546	1
474	493	Hospital Trust	1,541	1
475	492	Walter Kidde	1,541	1
476	455	Intl Minerals & Chem	1,538	
477	■	Ryder System	1,537	3
478	477	Northwest Airlines	1,529	
479	495	Gillette	1,528	1
480	486	Deposit Guaranty	1,519	1
481	447	Allis-Chalmers	1,511	
482	480	Zions Utah Bancorp	1,504	1
483	■	Owens-Corning Fbrgls	1,502	2
484	■	Cooper Industries	1,500	17
485	472	Fruehauf	1,500	
486	489	Equitable Sav & Loan	1,494	1
487	440	Union Commerce	1,492	–
488	488	Peoples Natl Bank	1,488	1
489	467	Allied Stores	1,487	
490	481	Carnation	1,484	
491	464	Singer	1,482	
492	474	Carter Hawley Hale	1,481	
493	498	Dayton Power & Light	1,481	1
494	485	South Carolina Natl	1,480	1
495	■	Revlon	1,471	1
496	■	Toledo Edison	1,468	1
497	476	Olin	1,461	
498	478	First Virginia Banks	1,458	
499	479	Columbus & So Ohio	1,449	
500	500	Liberty National	1,442	1

■ Not on 500 list in 1978

Delta is an air line run by more than 35,000 professionals. Like John Owens, Captain.

John was a Navy pilot and flight instructor before joining Delta. He has flown for Delta for over 28 years. And he's flown everything from twin-engine props to jet age Wide-Rides. Like Delta's L-1011 TriStar.



Seattle, Portland service scheduled to start June 1.

The planes may have changed over the years, but John's philosophy hasn't. He works at giving his passengers a great flight from take-off to touch-down. That means checking out everything. Flight plan, weather, Air Traffic Control, approach charts, pre-flight check list.

When John's the pilot, there's smooth sailing ahead. It's been that way since his Navy days.

Delta is ready when you are.(R)

This is Delta's Wide-Ride® Lockheed L-1011 TriStar, with "living room" cabins 8 feet high and 19 feet wide. You fly in quiet luxury.

One of the dancers in "Dancin'," now in its 3rd year at New York City's Broadhurst Theater and touring in a national road show.

If the house weren't insured, Dancin' couldn't bring it down.

It's an old cliché that the show must go on. But without insurance, that tradition might die. The truth is, insurance is what helps keep show business in business.

Owners simply couldn't afford to book shows into their theaters without insurance. The risks – to the performers, the audience, and the theater itself – would be too great. In fact, without insurance, you'd never get to enjoy a lot of things that add drama to your life.

Insurance isn't just for when things go wrong. It also helps us get more out of life. And because insurance allows people to face financial risks they otherwise couldn't afford, it plays a vital role in America's free enterprise system.

We're proud of the insurance business. And the people involved in it. Especially our more than 1,300 independent insurance agents and brokers who, with us, are dedicated to helping insure the American way of life.

Industrial Indemnity
a Crum and Forster organization

Home Office: San Francisco 94120

500's

SALES
ASSETS
PROFITS
MARKET VALUE

THE FORBES MARKET VALUE 500

As 1979 began, some of the stock market sages said the old grou stocks would come back; in fact, just the opposite happened. But i oils made up the losses—and then some.

THE STOCK MARKET LAST YEAR seemed to be giving the lie to the old complaint that stock prices have not been keeping up with inflation. The total market value of the top 500 U.S. public companies grew by 15.9%, to $788 billion, and the number of over-20% gainers leaped to 245, *vs.* 98 the year before. Even so an investor would still have had no trouble losing his shirt.

Suppose, for example, you had picked such old favorites as IBM, AT&T, General Motors, Eastman Kodak, Procter & Gamble and 3M—all solid, well-run companies in the top 20 on the list. Last year you'd have lost handsomely on every one; several were down by 15% to 20%. The eight nonoil companies in 1979's top 20 lost a net $14.6 billion in market value; only one (General Electric, up 7.3%) showed any gain.

Who was up? The oil (and oil service) companies, of course, which took 12 of the top 20 places last year, *vs.* only 8 the year before. Their gains more than made up for the huge market value losses of IBM (down $6 billion) and AT&T (down $4 billion). In fact, the most interesting use of the list is to find nonoil companies sporting significant gains.

One group consists of minerals (or minerals-related) companies like Engelhard Minerals (up 137%), Freeport Minerals (up 207%), Texasgulf (up 99%) or AMAX (up 51%). Less spectacu-

Rank 1979	Rank 1978	Company	Market Value ($000,000)	% Change Over 1978
1	1	**IBM**	37,569	–13.7
2	2	**American Tel & Tel**	36,559	–9.8
3	3	**Exxon**	24,190	11.0
4	4	**General Motors**	14,468	–5.7
5	8	**Schlumberger**	11,916	48.4

lar but solid performances were the rule among drug co nies, such as SmithKline (up 38.5%), Squibb (up 37.8% Searle (up 42.6%). There were interesting big gainers a the lesser computer companies like Wang Laboratorie 127%) and Intel (up 112.5%), whose sharp increases in th of IBM's loss suggest that investors are more impressed b prospects of the challengers than of the champ.

But all that is picking and choosing among the ga Eastman Kodak, Procter & Gamble, 3M, Coca-Cola and all showed market value declines of from $1 billion t billion, representing percentage losses approaching or ex ing 20%. Did we hear someone say that this is not a market but a market of stocks?

Electricity vs. synfuels

As the National Academy of Sciences reminded us the other day, nuclear power and coal remain the nation's nearest alternative to dependence on foreign oil. The academy predicts that coal consumption in the United States will at least triple by the year 2000, at which time coal is "likely to supply perhaps one-third to one-half of the nation's energy."

All right. The next question is, how will that added coal be used? Not in home furnaces or in many industrial boilers. The Carter administration is embarked on a program to boost conversion of coal to liquid or gas — the so-called synfuels — using tens of billions of dollars from the windfall oil profits tax to encourage research and development. As noted in these editorial columns, that carries the danger of boondoggle and of higher prices for our most abundant energy source.

The other main alternative for coal use is generating electricity. American Electric Power, which relies on coal, released a study a couple of months ago indicating that, in providing residential energy requirements, a coal-based electrical system is more efficient than a synthetic gas system using coal gasification.

AEP researchers tested the Lurgi process, one of the more promising techniques of coal gasification, against coal-generated energy. The comparison was for such home requirements as heating water and living area, cooking, and clothes drying: pipe-delivered gas versus electricity. The study concluded that coal-based electricity was more efficient on all counts, as well as less polluting.

At this stage in development of the art, those conclusions are not surprising. Electrical generation with coal has been around a long time. Viewed in the absolute, it's not a very efficient way of converting coal's BTUs to useful energy — most of it is lost in the process — but it remains more efficient than making gas out of coal and then burning the gas. Much better to prospect for natural gas already in the ground.

At the same time, AEP's researchers did not try to put the quietus to synfuels, adding that work on the Lurgi method "and other coal gasification technologies should be actively pursued and encouraged." That's a correct position; although the possibility of abuse must be guarded against, it's also proper for Uncle Sam to put seed money into synfuel R&D.

But even if some consider the AEP report perhaps biased, it is almost certainly correct in its root finding about the comparative usefulness of coal systems and gas from coal. We needn't rush to invent artificial trees when we're already getting plenty of shade from the real article.

Roanoke, Va. Times & World News
January 20, 1980

We're American Electric Power. We're also Appalachian Power, Indiana & Michigan Electric, Kentucky Power, Kingsport Power, Michigan Power, Ohio Power, and Wheeling Electric.

American Electric Power

AEP

THE FORBES MARKET VALUE 500

Rank 1979	Rank 1978	Company	Market Value ($000,000)	% Change Over 1978
6	7	Standard Oil Ind	11,768	42.0
7	11	Mobil	11,673	58.7
8	5	General Electric	11,534	7.3
9	19	Standard Oil Ohio	10,827	112.3
10	9	Standard Oil Calif	9,625	20.4
11	15	Atlantic Richfield	9,262	45.8
12	23	Shell Oil	8,375	71.9
13	13	Texaco	7,838	20.9
14	6	Eastman Kodak	7,767	–17.9
15	22	Phillips Petroleum	7,413	51.8
16	24	Gulf Oil	6,754	48.2
17	12	Procter & Gamble	6,140	–16.4
18	34	Getty Oil	6,059	95.4
19	10	Minn Mining & Mfg	5,894	–20.3
20	16	E I du Pont	5,843	–3.5
21	25	Dow Chemical	5,820	29.2
22	14	Sears Roebuck	5,716	–10.3
23	18	Merck	5,439	6.4
24	29	Xerox	5,227	21.9
25	38	Conoco	5,088	68.4
26	31	Halliburton	4,999	28.9
27	26	Johnson & Johnson	4,851	9.9
28	20	Caterpillar Tractor	4,667	–8.0
29	28	Philip Morris	4,484	2.4
30	33	Eli Lilly	4,356	24.8
31	27	American Home Prod	4,265	–3.1
32	17	Coca-Cola	4,263	–21.4
33	30	General Tel & Elec	4,169	3.5
34	55	Sun Company	4,160	87.6
35	41	Tenneco	4,082	38.3
36	32	BankAmerica	4,056	7.9
37	35	Weyerhaeuser	3,982	30.4
38	47	Union Oil California	3,877	55.1
39	21	Ford Motor	3,846	–23.6
40	43	SmithKline	3,827	38.5
41	46	Hewlett-Packard	3,500	34.0
42	49	Union Pacific	3,451	40.8
43	44	R J Reynolds Inds	3,443	25.1
44	36	Boeing	3,249	6.6
45	39	Burroughs	3,229	8.0
46	105	Superior Oil	3,206	143.2
47	79	Marathon Oil	3,029	82.9
48	37	Intl Tel & Tel	2,952	–2.5
49	42	Citicorp	2,942	2.1
50	45	K mart	2,917	6.2
51	53	Pfizer	2,870	23.5
52	58	Digital Equipment	2,817	30.7
53	56	Union Carbide	2,781	25.7
54	60	Aetna Life & Cas	2,681	28.4
55	54	Pacific Gas & Elec	2,613	16.4
56	48	Georgia-Pacific	2,601	4.4
57	64	Abbott Laboratories	2,480	22.3
58	80	AMAX	2,439	51.1
59	52	Bristol-Myers	2,423	3.9
60	59	Deere	2,380	13.4
61	40	Avon Products	2,368	–19.8
62	89	Cities Service	2,316	55.3
63	50	PepsiCo	2,262	–5.1
64	68	American Intl Group	2,241	18.4
65	142	Pennzoil	2,229	120.6
66	51	American Elec Power	2,169	–7.2
67	163	Engelhard Minerals	2,150	136.6
68	76	Monsanto	2,148	26.6
69	61	American Express	2,126	2.4
70	62	Emerson Electric	2,108	2.2
71	94	Raytheon	2,103	45.0
72	97	Dresser Industries	2,022	41.3
73	71	Texas Instruments	2,009	10.3
74	57	Beatrice Foods	1,975	–9.4
75	127	Occidental Petroleum	1,962	76.4
76	77	Alcoa	1,930	15.3
77	90	Honeywell	1,851	24.2
78	86	Sperry	1,825	15.9
79	134	W R Grace	1,823	70.3
80	63	J C Penney	1,817	–11.2
81	84	NCR	1,815	14.7
82	83	United Technologies	1,811	13.5
83	104	American Brands	1,805	35.1
84	115	Teledyne	1,804	46.8
85	182	Amerada Hess	1,798	111.9
86	73	J P Morgan	1,788	2.0
87	74	International Paper	1,786	2.7
88	65	Commonwlth Edison	1,758	–12.6
89	190	Louisiana Land	1,757	115.1
90	114	Rockwell Intl	1,756	42.7
91	158	Baker International	1,755	87.9
92	113	Kerr-McGee	1,753	42.0
93	70	McDonald's	1,744	–6.9
94	109	Squibb	1,722	37.8
95	98	Westinghouse Elec	1,711	20.0
96	67	Southern Company	1,711	–10.0
97	82	General Foods	1,680	4.8
98	206	Diamond Shamrock	1,676	115.1
99	180	Texas Eastern	1,674	96.6
100	130	Gannett	1,664	51.9
101	66	RCA	1,656	–15.2
102	102	Baxter Travenol Labs	1,627	17.5
103	117	American Cyanamid	1,626	34.0
104	93	Travelers	1,614	11.3
105	85	Schering-Plough	1,611	2.0
106	185	General Dynamics	1,609	91.7
107	111	Motorola	1,593	28.5
108	69	Warner-Lambert	1,592	–15.7
109	81	So Calif Edison	1,590	–1.3
110	88	Texas Utilities	1,562	2.6
111	176	Houston Natural Gas	1,553	81.3
112	232	Litton Industries	1,548	121.9
113	72	United States Steel	1,518	–16.5
114	96	Consolidated Edison	1,517	5.5
115	215	Levi Strauss	1,503	97.1
116	78	Revlon	1,503	–1
117	211	Signal Companies	1,496	9
118	189	Santa Fe Industries	1,486	8
119	99	CBS	1,458	
120	108	Walt Disney	1,450	1
121	128	AMP	1,449	
122	100	Kellogg	1,443	
123	120	CPC International	1,437	2
124	95	Connecticut General	1,426	
125	197	Allied Chemical	1,415	7
126	92	Upjohn	1,407	
127	260	Intel	1,397	1
128	106	Continental Corp	1,396	
129	377	Freeport Minerals	1,375	2
130	101	Duke Power	1,371	
131	112	McDonnell Douglas	1,369	
132	126	United Telecom	1,336	
133	110	Kraft	1,334	
134	87	Federated Dept Stores	1,334	–
135	282	Southland Royalty	1,333	1
136	107	Pub Svc Elec & Gas	1,327	
137	240	Texas Oil & Gas	1,323	9
138	204	InterNorth	1,301	
139	148	MCA	1,279	
140	133	Champion Intl	1,273	
141	91	General Mills	1,258	–
142	153	INA	1,254	
143	325	Fluor	1,243	1
144	143	Times Mirror	1,239	
145	187	Columbia Gas Sys	1,238	
146	156	Chase Manhattan	1,238	
147	125	Ashland Oil	1,218	
148	147	Dun & Bradstreet	1,216	
149	157	Sterling Drug	1,205	
150	131	Intl Harvester	1,204	
151	116	Ralston Purina	1,187	
152	145	Amer Hospital Supply	1,184	
153	103	Colgate-Palmolive	1,177	–
154	169	Western Bancorp	1,157	
155	293	Texasgulf	1,156	
156	210	Martin Marietta	1,156	
157	123	Middle South Utils	1,142	
158	119	Phila Electric	1,140	
159	255	NL Industries	1,139	
160	141	Continental Illinois	1,137	
161	140	TRW	1,136	
162	224	Panhandle Eastern	1,124	
163	165	Peoples Energy	1,124	
164	129	Transamerica	1,111	
165	203	Crown Zellerbach	1,106	
166	399	ASARCO	1,105	1
167	171	Armco	1,096	
168	161	Lubrizol	1,096	
169	183	Tektronix	1,093	
170	150	Amer Broadcasting	1,093	

Searching for satellites and getting Stars by the Bucketful.

The Universe.

Still the most fascinating and least explored mystery we know. A company called TRW is going to help put a few more pieces of this intergalactic puzzle in place with a new deep space surveillance system for the Air Force.

Until now, they had to do their star searching by digging through mind-boggling collections of photographic plates—all taken by different people, under different conditions and with different telescopes. Now they can dip into this "starbucket," and get pictures of the skies taken from all over earth—using identical telescopes to see the stars, identical TV cameras to photograph them, and identical computers to record their intensity and position.

All of which will help us to find out a lot more, a lot faster, about deep space mysteries. *Tomorrow is taking shape at*

A COMPANY CALLED TRW

Keeping An Eye On The Traffic In Space.

This new system's first job is to keep track of 20 years of hardware in deep space and traffic still to come. Using video cameras and 15 computer-controlled telescopes around the world, the system will be able to find and track an object no bigger than a soccer ball—22,000 miles out.

Every night, TV cameras will record what the telescopes see. Then computers, which drive and control the system, will sort out the stars from the satellites. The satellite images go into a readout system, giving operators at computer display terminals a clear picture of space traffic.

A Starbucket For Astronomers.

To astronomers, the prospect of access to recorded information about millions of stars is almost a miracle.

Observatory in Chichén Itzá, where the Mayas classified the stars and created a perfect calendar in the XIth century.

Hylsa plant in Puebla — HyL process.

GENIUS

The Mayan civilization, one of the roots of the culture of Mexico, made important discoveries. In writing they used ideographic signs. In mathematics they had a system of numbering based on the concept and symbol for zero. In chronology they had a calendar which was more exact than the one we use today and in astronomy they had already established an accurate classification of the stars. This genius used in different disciplines has continued to be apparent throughout the history of Mexico.

One of the many examples of this makes the members of the Grupo Alfa proud. It is the creation of the HyL process, which reduces iron ore into sponge iron, a Mexican technique which has already been introduced to other countries in the world.

The Mexican genius has found suitable ground in Alfa, where we have placed at the service of Mexico our capacity for work, the latest in modern technology and a solid corporate structure to create the largest private enterprise in our country.

The creative genius of Mexico is the basis for our future.

Steel and technology • Industrial equipment and machinery
Paper and packaging • Petrochemicals • Capital goods • Engineering
Food processing and packing • Synthetic fibers • Land and resort development
Electronics • Home appliances • Tractors and farm equipment • Mining
Television and communications

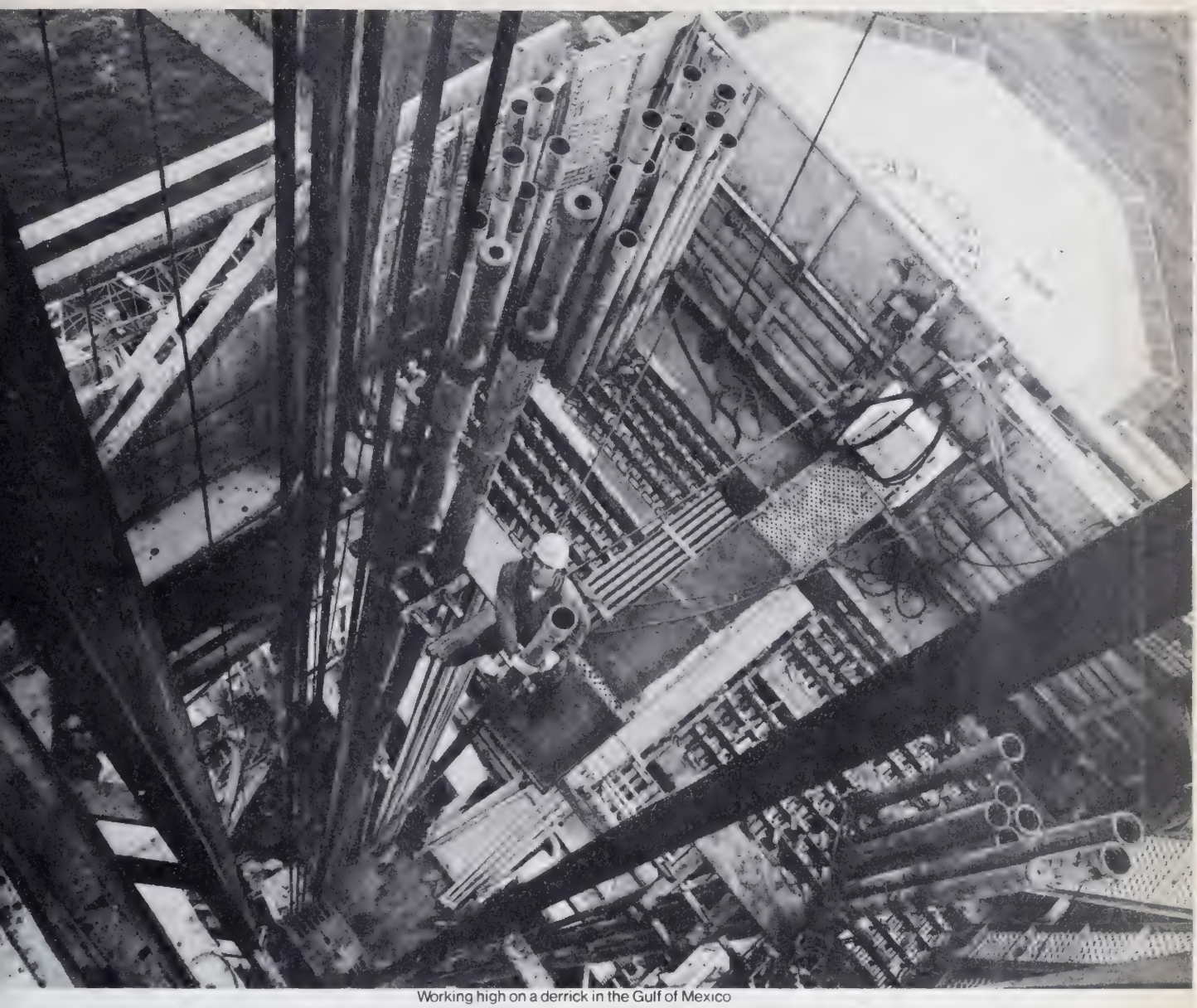
GRUPO INDUSTRIAL alfa
APARTADO POSTAL 1000 MONTERREY N.L. MEXICO

THE FORBES MARKET VALUE 500

Rank 1979	Rank 1978	Company	Market Value ($000,000)	% Change Over 1978
171	269	So Natural Resources	1,090	70.5
172	177	Amer Natl Resources	1,085	26.9
173	369	Archer Danls Midland	1,074	132.9
174	184	U S Fidelity & Gty	1,070	27.3
175	244	El Paso	1,065	54.3
176	151	Time Inc	1,062	10.7
177	149	General Reinsurance	1,057	9.7
178	306	Murphy Oil	1,056	91.7
179	181	Houston Industries	1,047	23.0
180	258	Kennecott Copper	1,045	58.6
181	202	Northwest Industries	1,043	30.8
182	254	Air Prods & Chems	1,042	56.0
183	271	Intl Minerals & Chem	1,041	65.1
184	138	Mfrs Hanover	1,035	–1.7
185	137	Florida Power & Lt	1,020	–3.1
186	121	Union Camp	1,020	–12.0
187	132	Anheuser-Busch Cos	1,018	–5.0
188	144	Central & South West	1,014	0.7
189	362	Transco Companies	1,007	111.3
190	192	Dayton-Hudson	1,005	23.6
191	312	Hughes Tool	998	83.1
192	318	Newmont Mining	996	85.5
193	235	G D Searle	994	42.6
194	268	Warner Commun	993	55.2
195	136	Consumers Power	990	–6.2
196	155	Corning Glass Works	990	4.7
197	124	Campbell Soup	989	–13.1
198	179	Stauffer Chemical	987	16.0
199	160	Ingersoll-Rand	986	7.2
200	178	Marsh & McLennan	980	15.0
201	118	Va Electric & Power	975	–18.3
202	164	St Regis Paper	974	8.2
203	326	Combustion Engnrng	968	83.6
204	233	Black & Decker	966	38.6
205	330	Mesa Petroleum	964	85.1
206	263	Pittston	961	47.5
207	152	Kimberly-Clark	954	–0.3
208	162	Fedl Natl Mortgage	946	3.8
209	170	Continental Group	943	7.4
210	212	PPG Industries	942	23.1
211	280	General American Oil	941	54.5
212	159	Dart Industries	937	1.2
213	286	Amer Genl Insurance	933	56.7
214	146	Carnation	933	–4.3
215	194	Bendix	927	14.6
216	122	Goodyear	923	–20.0
217	175	Bethlehem Steel	922	7.6
218	166	Detroit Edison	921	3.5
219	75	Polaroid	920	–45.9
220	139	Safeway Stores	917	–12.7
221	193	Farmers Group	916	13.1
222	349	Bally Manufacturing	915	84.8
223	295	Control Data	911	57.5
224	249	Southern Pacific	909	33.7
225	311	Cooper Industries	909	66.6
226	167	H J Heinz	907	2.1
227	200	Lincoln National	905	12.5
228	223	Boise Cascade	901	24.7
229	361	National Distillers	900	87.9
230	272	General Signal	896	42.4
231	168	Long Island Lighting	881	–0.7
232	238	Hercules	874	26.0
233	195	Textron	872	7.7
234	416	Williams Companies	870	113.9
235	198	Owens-Corning Fbrgls	869	7.9
236	331	Hospital Corp of Am	866	66.8
237	338	ENSERCH	865	70.8
238	225	Harris Corp	863	19.5
239	172	Niagara Mohawk Pwr	858	–1.5
240	234	St Paul Companies	854	22.6
241	248	Norfolk & Western Ry	850	24.6
242	252	Big Three Industries	850	27.2
243	226	Knight-Ridder News	840	16.9
244	154	Dana	840	–11.3
245	201	Household Finance	839	4.6
246	207	FMC	836	7.5
247	251	Continental Tel	831	24.4
248	239	Southern Railway	828	19.3
249	320	Perkin-Elmer	827	54.5
250	313	Hilton Hotels	824	51.2
251	250	Gulf & Western Inds	815	20.5
252	196	NLT	814	1.1
253	450	Wang Laboratories	811	127.0
254	247	J Ray McDermott	808	18.2
255	423	Utd Energy Resources	800	103.1
256	220	Consol Natural Gas	798	8.3
257	208	Ohio Edison	797	2.9
258	334	St Joe Minerals	797	56.5
259	209	Missouri Pacific	796	3.8
260	205	Gillette	796	2.1
261	229	Kaiser Alum & Chem	792	12.9
262	173	Carolina Pwr & Lt	792	–9.0
263	261	First Intl Bshs	785	19.7
264	188	Delta Air Lines	782	–5.8
265	199	Norton Simon	779	–3.1
266	246	Security Pacific	778	12.8
267	218	Pa Power & Light	772	2.6
268	245	Consolidated Foods	772	11.9
269	236	Lucky Stores	768	10.5
270	463	Coastal Corp	766	123.7
271	346	Crum & Forster	758	52.4
272	316	American Standard	753	39.7
273	262	Standard Brands	748	14.5
274	291	Borg-Warner	747	27.1
275	300	F W Woolworth	746	32.2
276	214	Borden	744	–2.4
277	289	Santa Fe Intl	737	24.9
278	186	Winn-Dixie Stores	735	–12.0
279	363	Loews	725	52.4
280	308	Safeco	724	31.8
281	340	Koppers	721	[illegible]
282	174	Intl Flavors & Frag	719	–[illegible]
283	436	Petrolane	711	[illegible]
284	386	Burlington Northern	710	[illegible]
285	322	Scott Paper	710	[illegible]
286	222	Chesebrough-Pond's	710	[illegible]
287	375	Smith International	708	[illegible]
288	237	Union Electric	706	[illegible]
289	191	Nabisco	704	–[illegible]
290	▪	Charter	703	6[illegible]
291	434	Cameron Iron Works	703	[illegible]
292	265	Pillsbury	701	[illegible]
293	216	Baltimore Gas & Elec	701	[illegible]
294	284	McGraw-Hill	700	[illegible]
295	301	Merrill Lynch	700	[illegible]
296	456	Natomas	699	1[illegible]
297	257	Tandy	699	[illegible]
298	256	Public Service Ind	696	[illegible]
299	323	May Dept Stores	695	[illegible]
300	380	CBI Industries	693	[illegible]
301	274	MGM	691	[illegible]
302	314	MAPCO	689	[illegible]
303	241	American Can	689	[illegible]
304	259	Melville	688	[illegible]
305	324	Nalco Chemical	686	[illegible]
306	228	No States Power	686	[illegible]
307	219	Pacific Pwr & Lt	684	[illegible]
308	296	Celanese	683	[illegible]
309	287	Becton, Dickinson	679	[illegible]
310	243	Whirlpool	679	[illegible]
311	281	Cleveland Elec Illum	671	[illegible]
312	283	Eaton	669	[illegible]
313	379	Houston Oil & Min	664	[illegible]
314	213	UAL	660	–[illegible]
315	477	Noble Affiliates	660	1[illegible]
316	315	Southland	659	[illegible]
317	266	Northwest Bancorp	659	[illegible]
318	253	Arizona Public Serv	659	[illegible]
319	242	Jefferson-Pilot	658	[illegible]
320	221	Inland Steel	656	–[illegible]
321	273	Jack Eckerd	654	[illegible]
322	230	Genuine Parts	651	[illegible]
323	227	Gould	650	[illegible]
324	290	Mead	643	[illegible]
325	328	Louisiana-Pacific	642	[illegible]
326	▪	Southwestern Life	640	1[illegible]
327	392	Phelps Dodge	640	[illegible]
328	332	Texas Commerce Bshs	636	[illegible]
329	319	Capital Cities Comm	635	[illegible]
330	285	Heublein	634	[illegible]
331	354	Greyhound	632	[illegible]
332	420	Ark Louisiana Gas	631	[illegible]
333	356	Esmark	629	[illegible]
334	297	Central Tel & Utils	627	[illegible]
335	337	Masco	626	[illegible]

▪ Not on 500 list in 1978.

How A&A looks at offshore drilling



Working high on a derrick in the Gulf of Mexico

From derrick to corporate offices, lexander & Alexander studies rig afety through a contractor's eyes. Ve scrutinize the workers and the orking environment. Probe routine perations and emergency evacuation ans. Learn the whys of injuries and e hows of accident prevention. iew down-time as dollars.

It's not the usual way to look at fshore oil rigs. Unless, of course, ou're one of the oil companies on &A's roster of clients.

afety programming

But this insider's vantage point ves A&A the best view of the risks volved in offshore drilling. It's the ame of reference that enables our ss control consultants to be sticklers n safety for any corporation with igh hazards. Ferreting out hot spots om loss data banks. Casing the carrier's services. It's how we create comprehensive safety programs that work. And stay on top of them, alert to changing conditions, new hazards, new operations, new technology.

Every industry is unique. Each has different needs. For insurance, for risk management, for human resources management, for financial services. That's why A&A works from a client's point of view. Only by working as partners, by solving business problems together, can we be sure a company gets the most comprehensive, cost-efficient programs possible.

We think our dedication to forming a close alliance with our clients is a big reason why A&A has become one of the biggest and most trusted insurance brokers worldwide. Each of our 120 offices here and overseas has the facilities, expertise and strength to meet the needs of any company, large or small, in any industry. Because we work the same way with every client. From the client's point of view.

Alexander & Alexander

From the client's point of view.

One to one. That's

Avon is the world's leading manufacturer and distributor of cosmetics. *And* of fragrances. *And* of fashion jewelry. Last year, alone, our sales rose fourteen percent—to reach a total of $2.3 billion, worldwide.

You could attribute this success to our ability to know what our 80 million customers around the globe are looking for, right now. Or you could credit our corporate management. Or our exacting quality standards.

But we at Avon know what really makes us number one. One million, two hundred thousand independent Avon Representatives in 30 countries. That's our strength—a strength that no one else in the world can duplicate. A strength that keeps growing, year after year.

Our one to one way of doing business. That's what made us number one. And what will keep us that way.

AVON

what makes Avon #1.

© 1980 Avon Products, Inc.

Rank 1979	Rank 1978	Company	Market Value ($000,000)	% Change Over 1978
336	348	Dow Jones	625	26.1
337	414	Rohm & Haas	621	52.2
338	■	Pioneer	618	174.5
339	317	Allegheny Power	617	14.9
340	412	MGIC Investment	617	51.2
341	459	Sundstrand	616	78.0
342	277	Reynolds Metals	616	0.5
343	217	First Chicago	614	–18.4
344	278	Wells Fargo	613	0.2
345	327	Chessie System	611	15.9
346	333	Fort Howard Paper	611	18.0
347	292	Northeast Utilities	608	3.5
348	■	SEDCO	599	95.3
349	400	NICOR	599	41.8
350	276	Northwest Airlines	598	–3.0
351	279	Utah Power & Light	596	–2.2
352	■	Mitchell Enrgy & Dev	595	171.6
353	307	First Bank System	593	7.6
354	388	Alexander & Alexandr	589	34.5
355	343	Beneficial Corp	589	16.8
356	342	Northrop	585	15.9
357	466	Homestake Mining	584	71.7
358	302	Richardson-Merrell	578	3.2
359	351	Holiday Inns	577	17.7
360	335	Owens-Illinois	576	13.3
361	411	Beckman Instruments	572	40.0
362	345	Pacific Lumber	572	14.4
363	310	Timken	571	4.5
364	439	Dover	567	52.3
365	■	Humana	567	154.2
366	442	R H Macy	567	53.2
367	382	Marriott	566	27.1
368	294	Illinois Power	564	–2.7
369	371	Quaker Oats	563	23.6
370	454	Texas Gas Transmn	563	60.2
371	367	Colt Industries	561	19.9
372	275	Capital Holding	560	–9.6
373	360	Square D	555	15.8
374	329	Interco	554	6.0
375	417	Ethyl	552	36.9
376	288	Data General	552	–6.5
377	■	Pogo Producing	551	93.4
378	■	Howard Johnson	549	152.5
379	304	Chemical New York	546	–2.0
380	336	Pacific Lighting	546	7.5
381	341	Mellon National	544	7.8
382	401	Norton	542	28.5
383	350	Johns-Manville	538	9.1
384	460	Penn Central	535	55.5
385	448	Snap-On Tools	532	48.4
386	387	First Charter Finl	532	21.5
387	385	Auto Data Processing	532	20.7
388	■	Medtronic	531	118.0
389	135	General Public Utils	528	–50.5
390	■	Helmerich & Payne	528	93.5
391	370	W W Grainger	527	15.3
392	462	Wal-Mart Stores	525	53.2
393	353	Kroger	525	8.0
394	495	Waste Management	521	66.2
395	339	Roadway Express	521	2.9
396	359	Combined Insurance	518	7.9
397	395	Westvaco	517	19.5
398	357	Gt Northern Nekoosa	517	7.6
399	344	R R Donnelley & Sons	516	2.6
400	409	USLIFE	515	25.4
401	231	Firestone	512	–26.8
402	■	Stanley Works	507	82.7
403	393	United States Gypsum	505	16.3
404	303	National Steel	504	–9.6
405	437	First City Bancorp	503	34.9
406	397	Brown-Forman Dist	500	16.9
407	347	Clark Equipment	498	0.5
408	■	Kaneb Services	498	144.2
409	403	Jim Walter	496	18.7
410	422	Gt Western Financial	494	24.1
411	299	Genl Tire & Rubber	493	–12.9
412	■	Gulf United	491	71.1
413	384	Allied Stores	490	10.9
414	458	American Natl Ins	485	40.0
415	■	Parker Drilling	485	86.0
416	406	H F Ahmanson	485	16.7
417	366	Duquesne Light	484	3.4
418	410	Republic of Texas	484	18.4
419	355	No Indiana Pub Svc	483	0.1
420	■	Reliance Group	481	68.8
421	433	Diamond Intl	481	27.7
422	305	Potomac Elec Power	479	–13.5
423	487	Cabot	478	50.5
424	378	New England Electric	475	6.2
425	364	Burlington Inds	474	–0.1
426	418	Chubb	472	17.1
427	■	Belco Petroleum	470	59.2
428	374	Gulf States Utils	470	4.4
429	■	Centl Louisiana Engy	469	147.6
430	■	Caesars World	467	52.6
431	383	Provident Life & Acc	463	4.4
432	■	Energy Reserves Gp	462	198.9
433	■	Natl Semiconductor	462	65.3
434	389	Adolph Coors	460	5.0
435	■	Tosco	460	323.8
436	■	ERC	459	179.9
437	405	PACCAR	458	9.9
438	■	Raychem	457	66.9
439	483	Eastern Gas & Fuel	456	42.7
440	376	Potlatch	455	1.4
441	321	Cincinnati G & E	453	–15.4
442	309	Chrysler	450	–18.0
443	■	Foster Wheeler	449	93.7
444	■	Bausch & Lomb	448	97.6
445	■	Overseas Shipholding	447	87.5
446	■	General Instrument	446	1
447	■	GATX	444	
448	425	Morton-Norwich	444	
449	485	Pitney Bowes	443	
450	473	Cessna Aircraft	438	
451	■	NVF	438	3
452	■	Avco	438	
453	431	Carter Hawley Hale	438	
454	372	Crown Cork & Seal	437	
455	358	Wisconsin Elec Pwr	437	
456	452	Bankers Trust N Y	433	
457	438	Cox Broadcasting	433	
458	■	Super Valu Stores	433	
459	■	Rowan Companies	433	1
460	352	Public Service Colo	432	–
461	■	City Investing	432	
462	■	Cincinnati Milacron	432	
463	390	Olin	431	
464	424	Seaboard Coast Line	431	
465	449	Trans Union	430	
466	455	Allis-Chalmers	429	
467	365	Pan Am World Airways	427	
468	413	McGraw-Edison	427	
469	446	Storage Technology	427	
470	■	Datapoint	427	
471	481	Pioneer Hi-Bred Intl	426	
472	398	So New England Tel	425	
473	440	Seafirst	422	
474	426	Pullman	421	
475	407	Willamette Inds	419	
476	497	Ohio Casualty	414	
477	428	Amsted Industries	413	
478	381	Florida Power	412	
479	394	N Y State Elec & Gas	412	
480	298	Petrie Stores	411	–2
481	■	Supron Energy	410	13
482	415	San Diego Gas & Elec	409	
483	■	American Petrofina	409	
484	480	Johnson Controls	409	
485	391	Portland Genl Elec	409	–
486	408	Armstrong Cork	408	–
487	486	Bucyrus-Erie	408	2
488	484	Parker-Hannifin	408	2
489	451	ARA Services	407	1
490	■	Blue Bell	407	
491	478	Cleveland-Cliffs	406	2
492	461	Deluxe Check Printers	406	1
493	■	Lockheed	406	7
494	373	Oklahoma Gas & Elec	405	–1
495	■	Tom Brown	402	12
496	447	Joy Manufacturing	399	1
497	■	Ex-Cell-O	398	4
498	■	A E Staley Mfg	398	10
499	435	Ryder System	397	
500	443	Republic Steel	394	

■ Not on 500 list in 1978.

"Are you listed with D&B?"

With 9 out of every 10 business transactions done on credit, that's often the first question sellers ask buyers. Because Dun & Bradstreet is the world's leading source of information on which credit decisions are based.

What makes the information so complete and reliable is that it is gathered largely through personal interviews with company management by D&B reporters and is then verified with outside business sources. D&B draws a clear distinction between what's business and what's personal.

Facts in a D&B Business Report focus strictly on the commercial establishment. D&B does not collect information on the personal bill-paying record, habits or lifestyles of owners or managers of the subject company. Information regarding individuals is limited to that necessary in evaluating the firm.

Contact by a D&B reporter tells you that a D&B Business Report is being prepared on your company, usually at the request of a D&B subscriber. Your cooperation could well lead to a rewarding connection.

Your D&B Business Report is available only to D&B subscribers. And to you, for the asking, so you can verify the contents.

Good credit information is essential to the world of commerce. Nobody serves this function like Dun & Bradstreet, with reports on more than 4,000,000 U.S. companies in our computerized files and with over 1,600 reporters constantly gathering new and updated information.

Imagine doing business without effective credit checks, and we think you will agree: Dun & Bradstreet is indeed **the essential business.**

Dun & Bradstreet

a company of
The Dun & Bradstreet Corporation

WHERE THEY RANK: 1979							
Assets	Sales	Market Value	Net. Profits	Company (fiscal year end)	Assets ($000)	Sales ($000)	Market Value of Common ($000)
439	309	57	148	**Abbott Laboratories (Dec)**	1,729,296	1,683,168	2,479,632
■	463	■	■	**ACF Industries (Dec)**	1,016,796	982,896	303,421
13	23	54	31	**Aetna Life & Casualty (Dec)**	30,228,463	11,446,880	2,680,682
40	396	416	253	**H F Ahmanson (Dec)**	12,137,253	1,211,220	485,072
■	390	182	303	**Air Products & Chemicals (Sept)**	1,419,759	1,229,894	1,041,605
■	454	■	■	**Akzona (Dec)**	818,125	1,012,398	152,813
266	■	■	■	**Alabama Bancorporation (Dec)**	2,671,424	233,228	148,230
■	188	■	■	**Albertson's (Jan)**	572,789	2,673,848	281,980
■	275	■	■	**Alco Standard (Sept)**	692,986	1,917,128	293,314
■	■	354	■	**Alexander & Alexander Services (Dec)**	629,619	368,239	589,107
225	■	■	■	**Alleghany (Dec)**	2,937,647	802,671	250,749
■	327	■	394	**Allegheny Ludlum Industries (Dec)**	1,140,165	1,550,010	200,038
246	449	339	355	**Allegheny Power System (Dec)**	2,801,242	1,024,859	617,350
326	■	■	■	**Allied Bancshares (Dec)**	2,260,306	196,261	231,978
149	97	125	■	**Allied Chemical (Dec)**	4,209,628	4,332,391	1,415,193
489	239	413	321	**Allied Stores (Jan)**	1,486,611	2,239,749	489,915
481	268	466	358	**Allis-Chalmers (Dec)**	1,510,799	1,972,703	429,489
136	83	76	41	**Aluminum Company of America (Dec)**	4,711,251	4,785,583	1,929,954
156	169	58	54	**AMAX (Dec)**	3,936,630	2,865,390	2,438,565
130	54	85	39	**Amerada Hess (Dec)**	4,899,237	6,769,941	1,798,241
206	148	■	327	**American Airlines (Dec)**	3,182,495	3,252,532	290,547
418	■	■	■	**American Bank & Trust Pa (Dec)**	1,793,142	164,014	108,159
173	120	83	59	**American Brands (Dec)**	3,670,578	3,772,181	1,805,407
■	258	170	178	**American Broadcasting Companies (Dec)**	1,274,325	2,029,463	1,092,838
261	91	303	231	**American Can (Dec)**	2,682,400	4,515,000	688,560
243	154	103	164	**American Cyanamid (Dec)**	2,826,762	3,186,998	1,625,744
64	172	66	85	**American Electric Power (Dec)**	8,780,368	2,813,691	2,168,970
29	86	69	62	**American Express (Dec)**	17,108,200	4,666,500	2,126,204
221	497	■	371	**American Financial (Dec)**	2,998,572	912,633	133,032
254	■	■	■	**American Fletcher (Dec)**	2,730,404	253,539	80,570
82	278	213	166	**American General Insurance (Dec)**	6,548,192	1,886,052	933,022
347	137	31	46	**American Home Products (Dec)**	2,090,674	3,401,301	4,264,571
■	257	152	275	**American Hospital Supply (Dec)**	1,275,742	2,039,380	1,183,991
97	228	64	101	**American International Group (Dec)**	5,727,499	2,327,542	2,240,949
■	159	■	409	**American Motors (Sept)**	1,123,487	3,117,049	219,196
248	■	414	373	**[1]American National Insurance (Dec)**	2,786,915	625,889	485,305
157	202	172	252	**American Natural Resources (Dec)**	3,928,972	2,505,622	1,084,666
■	319	483	347	**American Petrofina (Dec)**	1,080,058	1,587,229	408,918
462	■	■	■	**American Savings & Loan Assn of Fla (Sept)**	1,632,455	141,261	64,459
315	■	■	■	**American Security (Dec)**	2,318,248	209,230	101,444
■	214	272	225	**American Standard (Dec)**	1,422,763	2,431,557	752,867
■	119	■	■	**[2]American Stores (Jan)**	1,207,914	3,786,332	259,967
1	3	2	1	**American Telephone & Telegraph (Dec)**	113,768,836	45,408,078	36,558,755
107	■	■	473	**[3]AmeriTrust (Dec)**	5,402,092	490,613	299,260
■	349	■	■	**AMF (Dec)**	939,380	1,438,352	297,984
■	307	■	478	**Amfac (Dec)**	1,071,958	1,689,496	327,522
■	452	121	243	**AMP (Dec)**	824,027	1,013,241	1,448,759

■ Not on 500 list.

[1]Formerly American National Financial
[2]Formerly Skaggs Companies
[3]Formerly CleveTrust.

A ROSTER OF THE U.S.'S BIGGEST CORPORATIONS

SHARE DATA: 1979								
Shares Outstanding (000)	Where Traded	Ticker Symbol	Earnings Before Extraordinary Items	Dividends	Market Price (Dec. 31)	Corporate Headquarters	Number of Employees (000)	Chief Executive
60,295	NYSE	ABT	2.97	0.96	41⅛	North Chicago, Ill	27.8	**Robert A Schoellhorn**
8,859	NYSE	ACF	5.44	2.21	34¼	New York, NY	14.2	**John F Burditt**
80,622	NYSE	AET	6.93	1.72	33¼	Hartford, Conn	37.5	**John H Filer**
22,962	NYSE	AHM	5.11	1.15	21⅛	Los Angeles, Cal	4.3	**William H Ahmanson**
28,343	NYSE	APD	3.45	0.65	36¾	Allentown, Pa	14.6	**Edward Donley**
12,225	NYSE	AXO	2.10	0.80	12½	Asheville, NC	16.1	**Claude S Ramsey**
7,320	OTC	ABNC	3.43	1.26	20¼	Birmingham, Ala	3.4	**John W Woods**
14,792	NYSE	ABS	2.49	0.57	19⅛	Boise, Ida	25.3	**Warren E McCain**
9,095	NYSE	ASN	5.05	1.47	32¼	Valley Forge, Pa	17.1	**Ray B Mundt**
17,988	OTC	AALS	2.87	1.40	32¾	New York, NY	7.2	**John A Bogardus Jr**
9,287	NYSE	Y	4.74	1.05	27	New York, NY	9.1	**Fred M Kirby**
7,081	NYSE	AG	7.30	1.31	28¼	Pittsburgh, Pa	40.0	**Robert J Buckley**
39,829	NYSE	AYP	2.24	1.76	15½	New York, NY	5.7	**Charles B Finch**
7,172	OTC	ALBN	3.97	0.67	32⅜	Houston, Tex	1.6	**Gerald H Smith**
28,808	NYSE	ACD	0.20	2.00	49⅛	Morristown, NJ	49.0	**Edward L Hennessey Jr**
20,520	NYSE	ALS	4.41	1.50	23⅞	New York, NY	54.0	**Thomas M Macioce**
12,404	NYSE	AH	6.23	1.75	34⅝	West Allis, Wisc	29.3	**David C Scott**
35,170	NYSE	AA	14.29	2.60	54⅞	Pittsburgh, Pa	46.8	**W H Krome George**
53,448	NYSE	AMX	6.49	1.72	45⅝	Greenwich, Conn	17.4	**Pierre Gousseland**
36,887	NYSE	AHC	12.15	1.29	48¾	New York, NY	7.9	**Leon Hess**
28,696	NYSE	AMR	2.63	0.40	10⅛	New York, NY	41.0	**Albert V Casey**
6,897	OTC	APEN	2.55	0.89	15¾	Reading, Pa	1.7	**Samuel A McCullough**
26,599	NYSE	AMB	12.00	4.63	67⅞	New York, NY	54.7	**Robert K Heimann**
27,843	NYSE	ABC	5.67	1.30	39¼	New York, NY	12.4	**Leonard H Goldenson**
19,328	NYSE	AC	6.44	2.80	35⅝	Greenwich, Conn	55.5	**William F May**
47,816	NYSE	ACY	3.52	1.60	34	Wayne, NJ	44.2	**Dr James G Affleck**
121,341	NYSE	AEP	2.29	2.19	17⅞	New York, NY	22.6	**Willis S White Jr**
71,170	NYSE	AXP	4.83	1.75	29⅞	New York, NY	40.7	**James D Robinson III**
5,784	OTC	AFIN	7.93	0.04	23	Cincinnati, Ohio	5.7	**Carl H Lindner**
4,604	OTC	AFLT	4.16	1.22	17½	Indianapolis, Ind	2.5	**Frank E McKinney Jr**
25,475	NYSE	AGC	6.60	1.00	36⅝	Houston, Tex	9.3	**Harold S Hook**
156,498	NYSE	AHP	2.51	1.50	27¼	New York, NY	50.3	**William F Laporte**
37,587	NYSE	AHS	2.78	0.77	31½	Evanston, Ill	30.7	**Karl D Bays**
37,663	OTC	AIGR	6.17	0.40	59½	New York, NY	19.4	**Maurice R Greenberg**
31,883	NYSE	AMO	2.24	0.08	6⅞	Southfield, Mich	28.4	**Gerald C. Meyers**
30,813	OTC	ANAT	2.50	0.17	15¾	Galveston, Tex	10.6	**Orson C Clay**
23,078	NYSE	ANR	5.13	3.15	47	Detroit, Mich	16.5	**Arthur R Seder Jr**
10,761	ASE	API A	7.77	2.35	38	Dallas, Tex	2.8	**Richard I Galland**
2,421	NYSE	AAA	5.76	0.59	26⅝	Miami Beach, Fla	0.7	**Morris N Broad**
3,623	OTC	ASEC	5.90	2.15	28	Washington, DC	1.3	**W Jarvis Moody**
13,751	NYSE	AST	9.52	3.05	54¾	New York, NY	50.8	**William A Marquard**
9,764	NYSE	ASC	4.36	0.80	26⅝	Salt Lake City, Utah	63.7	**Lennie S Skaggs**
701,367	NYSE	T	8.04	4.90	52⅛	New York, NY	1,029.9	**Charles L Brown**
9,208	OTC	AMTR	6.20	2.35	32½	Cleveland, Ohio	4.5	**M Brock Weir**
20,375	NYSE	AMF	2.59	1.24	14⅝	White Plains, NY	29.1	**W Thomas York**
12,844	NYSE	AMA	4.21	1.20	25½	Honolulu, Haw	22.6	**Henry A Walker Jr**
35,994	NYSE	AMP	3.36	0.76	40¼	Harrisburg, Pa	18.6	**Joseph D Brenner**

data adjusted for stock splits and stock dividends through May 12, 1980.

WHERE THEY RANK: 1979							
Assets	Sales	Market Value	Net Profits	Company (fiscal year end)	Assets ($000)	Sales ($000)	Market Value of Common ($000)
■	439	■	■	**Amstar (June)**	542,998	1,056,376	175,428
■	■	477	428	**Amsted Industries (Sept)**	421,656	855,725	412,603
■	339	■	■	**Anderson, Clayton (June)**	738,177	1,489,925	297,044
379	175	187	198	**Anheuser-Busch Companies (Dec)**	1,925,962	2,775,936	1,018,395
■	265	489	500	**ARA Services (Sept)**	865,109	2,002,389	407,226
■	231	173	477	**Archer Daniels Midland (June)**	1,032,523	2,297,838	1,073,586
378	■	■	■	**Arizona Bank (Dec)**	1,927,399	171,548	109,737
290	■	318	242	**Arizona Public Service (Dec)**	2,475,332	664,423	658,622
■	■	332	448	**Arkansas Louisiana Gas (Dec)**	1,072,981	735,302	631,467
200	78	167	109	**Armco (Dec)**	3,260,163	5,035,127	1,095,800
■	368	486	417	**Armstrong Cork (Dec)**	876,312	1,341,067	408,326
371	302	166	86	**ASARCO (Dec)**	1,969,654	1,724,219	1,104,543
213	58	147	35	**Ashland Oil (Sept)**	3,113,214	6,473,867	1,217,914
■	293	■	■	**Associated Dry Goods (Jan)**	978,704	1,783,212	283,962
413	■	■	■	**Atlantic Bancorp (Dec)**	1,805,927	162,988	69,536
36	15	11	13	**Atlantic Richfield (Dec)**	13,833,387	16,233,959	9,261,760
■	■	387	■	**Automatic Data Processing (June)**	271,255	371,064	532,210
112	272	452	230	**Avco (Nov)**	5,300,401	1,932,155	437,867
■	447	■	492	**Avnet (June)**	539,487	1,028,133	387,795
■	221	61	87	**Avon Products (Dec)**	1,405,986	2,377,506	2,368,328
262	■	■	■	**Bache Group (July)**	2,681,474	430,291	89,150
■	405	91	293	**Baker International (Sept)**	1,122,984	1,168,811	1,755,121
354	■	■	■	**Baldwin-United (Dec)**	2,070,941	602,873	270,915
■	■	222	■	**Bally Manufacturing (Dec)**	602,021	376,798	914,616
238	451	293	233	**Baltimore Gas & Electric (Dec)**	2,855,984	1,014,408	701,186
282	■	■	■	**[4]Banc One (Dec)**	2,523,720	238,101	173,250
187	■	■	■	**BanCal Tri-State (Dec)**	3,447,420	320,476	127,861
291	■	■	■	**Banco Popular de Puerto Rico (Dec)**	2,471,994	223,360	66,000
126	■	■	■	**BancOhio (Dec)**	5,005,030	436,896	158,909
368	■	■	■	**[5]Bancorp Hawaii (Dec)**	1,986,445	185,903	120,351
58	■	■	■	**Bank of New York (Dec)**	8,994,425	790,530	226,774
316	■	■	■	**Bank of Virginia (Dec)**	2,318,215	246,007	72,095
2	31	36	26	**BankAmerica (Dec)**	108,389,318	9,449,773	4,055,847
12	180	456	259	**Bankers Trust New York (Dec)**	30,952,922	2,727,158	433,320
175	■	■	■	**Barnett Banks of Florida (Dec)**	3,663,344	333,312	163,721
■	■	444	■	**Bausch & Lomb (Dec)**	344,728	503,031	447,778
■	403	102	264	**Baxter Travenol Laboratories (Dec)**	1,290,928	1,191,193	1,626,828
241	■	■	■	**BayBanks (Dec)**	2,848,584	254,053	96,171
174	47	74	84	**Beatrice Foods (Feb)**	3,669,095	7,468,373	1,974,888
■	■	361	■	**Beckman Instruments (June)**	418,196	426,709	572,159
■	■	309	439	**Becton, Dickinson (Sept)**	728,875	809,808	679,320
■	■	427	363	**Belco Petroleum (Dec)**	788,601	641,058	470,459
317	114	215	169	**Bendix (Sept)**	2,311,000	3,856,400	927,226
67	229	355	290	**††Beneficial Corp (Dec)**	8,221,300	2,314,200	588,519
116	50	217	79	**Bethlehem Steel (Dec)**	5,165,900	7,137,200	922,402
■	■	242	437	**Big Three Industries (Dec)**	700,052	509,449	849,648
■	399	204	310	**Black & Decker Manufacturing (Sept)**	910,465	1,205,068	966,299

■ Not on 500 list.
††Figures include unconsolidated subsidiaries

[4]Formerly First Banc Group.
[5]Formerly Hawaii Bancorp

SHARE DATA: 1979								
Shares Outstanding (000)	Where Traded	Ticker Symbol	Earnings Before Extraordinary Items	Dividends	Market Price (Dec 31)	Corporate Headquarters	Number of Employees (000)	Chief Executive
8,939	NYSE	ASR	2.38	1.35	19⅝	New York, NY	8.3	**Robert T Quittmeyer**
10,787	NYSE	AD	5.88	1.98	38¼	Chicago, Ill	12.3	**Goff Smith**
13,129	NYSE	AYL	3.54	1.06	22⅝	Houston, Tex	17.9	**Thomas J Barlow**
45,262	OTC	ABUD	3.19	0.90	22½	St Louis, Mo	17.5	**August A Busch III**
12,156	NYSE	ARA	5.23	1.73	33½	Philadelphia, Pa	112.0	**William S Fishman**
34,772	NYSE	ADM	1.63	0.19	30⅞	Decatur, Ill	5.3	**Dwayne O Andreas**
6,013	OTC	ABKP	2.27	0.72	18¼	Phoenix, Ariz	2.1	**Donald B Tostenrud**
38,181	NYSE	AZP	2.90	1.94	17¼	Phoenix, Ariz	5.3	**Keith L Turley**
25,133	NYSE	ALG	2.42	1.14	25⅛	Shreveport, La	4.6	**Edward Sheffield Nelson**
43,832	NYSE	AS	4.82	1.43	25	Middletown, Ohio	54.8	**Harry Holiday Jr**
24,747	NYSE	ACK	2.58	1.08	16½	Lancaster, Pa	23.8	**Harry A Jensen**
29,553	NYSE	AR	8.56	1.30	37⅞	New York, NY	12.7	**Charles F Barber**
30,353	NYSE	ASH	15.55	1.95	40⅛	Russell, Ky	29.2	**Orin E Atkins**
13,522	NYSE	DG	3.25	1.50	21	New York, NY	50.0	**William P Arnold**
5,248	OTC	ABAN	2.68	0.78	13¼	Jacksonville, Fla	2.8	**Billy J Walker**
115,772	NYSE	ARC	9.48	2.80	80	Los Angeles, Cal	51.8	**Robert O Anderson**
15,206	NYSE	AUD	2.21	0.58	35	Clifton, NJ	11.0	**Frank R Lautenberg**
15,779	NYSE	AV	8.25	1.15	27¾	Greenwich, Conn	27.1	**James R Kerr**
15,060	NYSE	AVT	3.50	0.78	25¾	New York, NY	12.4	**Simon Sheib**
60,148	NYSE	AVP	4.17	2.75	39⅜	New York, NY	34.3	**David W Mitchell**
8,293	NYSE	BAC	1.70	0.60	10¼	New York, NY	7.1	**Harry A Jacobs Jr**
32,806	NYSE	BKO	3.25	0.56	53½	Orange, Cal	19.0	**Earnest H Clark Jr**
8,919	NYSE	BDW	5.23	1.20	30⅜	Cincinnati, Ohio	8.3	**Lucien Wulsin**
25,406	NYSE	BLY	1.73	0.09	36	Chicago, Ill	9.6	**Robert Mullane**
31,692	NYSE	BGE	3.40	2.36	22⅛	Baltimore, Md	8.5	**Bernard C Trueschler**
6,930	OTC	BONE	4.31	1.49	25	Columbus, Ohio	3.0	**John G McCoy**
4,409	NYSE	BNC	4.21	0.87	29	San Francisco, Cal	3.2	**Chauncey E Schmidt**
3,000	OTC	BPOP	6.06	1.26	22	San Juan, PR	3.4	**Rafael Carrión Jr**
8,046	OTC	BOHI	3.70	1.34	19¾	Columbus, Ohio	6.0	**Robert G Stevens**
7,294	OTC	BNHI	2.83	0.88	16½	Honolulu, Haw	2.5	**Wilson P Cannon**
6,388	NYSE	BK	7.05	2.51	35½	New York, NY	5.8	**Elliott Averett**
5,196	NYSE	BKV	2.93	1.07	13⅞	Richmond, Va	3.7	**Frederick Deane Jr**
146,818	NYSE	BAM	4.10	1.27	27⅝	San Francisco, Cal	81.0	**Alden W Clausen**
10,833	NYSE	BT	9.30	3.08	40	New York, NY	12.7	**Alfred Brittain III**
8,505	NYSE	BBF	3.67	0.89	19¼	Jacksonville, Fla	6.0	**Charles E Rice**
11,745	NYSE	BOL	3.49	0.90	38⅛	Rochester, NY	11.4	**Daniel G Schuman**
34,249	NYSE	BAX	3.29	0.50	47½	Deerfield, Ill	33.0	**William B Graham**
3,029	OTC	BBNK	7.41	2.40	31¾	Boston, Mass	4.0	**William M Crozier Jr**
96,336	NYSE	BRY	2.60	none	20½	Chicago, Ill	85.0	**James L Dutt**
19,561	NYSE	BEC	1.66	0.29	29¼	Fullerton, Cal	12.4	**Arnold O Beckman**
19,980	NYSE	BDX	3.01	0.86	34	Paramus, NJ	20.6	**Wesley J Howe**
11,545	NYSE	BPC	6.81	0.85	40¾	New York, NY	1.9	**Arthur B Belfer**
22,754	NYSE	BX	7.10	2.63	40¾	Southfield, Mich	73.7	**William M Agee**
22,104	NYSE	BNL	4.24	1.95	26⅝	Wilmington, Del	26.4	**Finn M W Caspersen**
43,664	NYSE	BS	6.31	1.50	21⅛	Bethlehem, Pa	97.7	**Donald H Trautlein**
20,110	NYSE	BIG	3.13	0.82	42¼	Houston, Tex	4.8	**Harry K Smith**
42,013	NYSE	BDK	2.25	0.68	23	Towson, Md	21.0	**Francis P Lucier**

ta adjusted for stock splits and stock dividends through May 12, 1980.

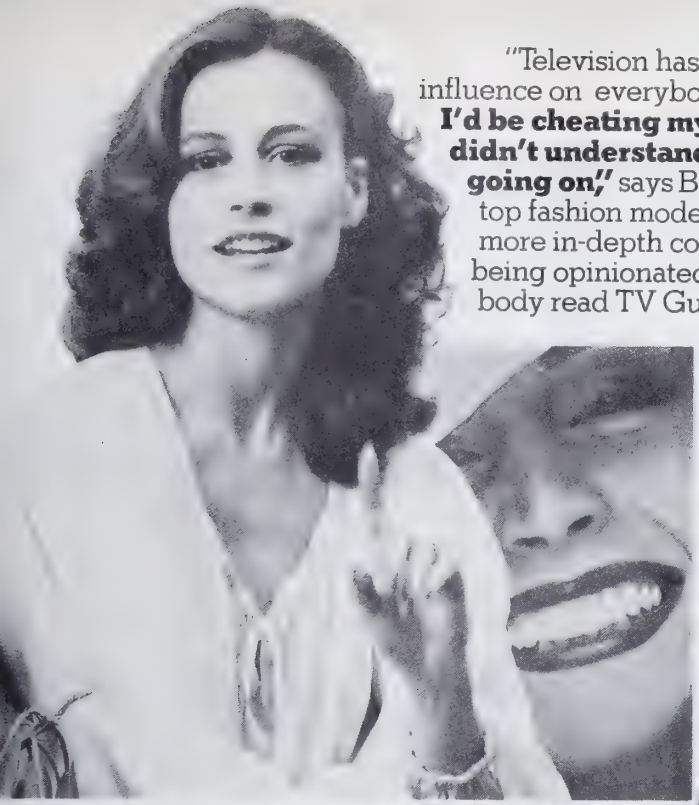
Ben Lubin, a managing director of Wall Street's Bruns, Nordeman, Rea & Company, says:

"It's the index of the industry."

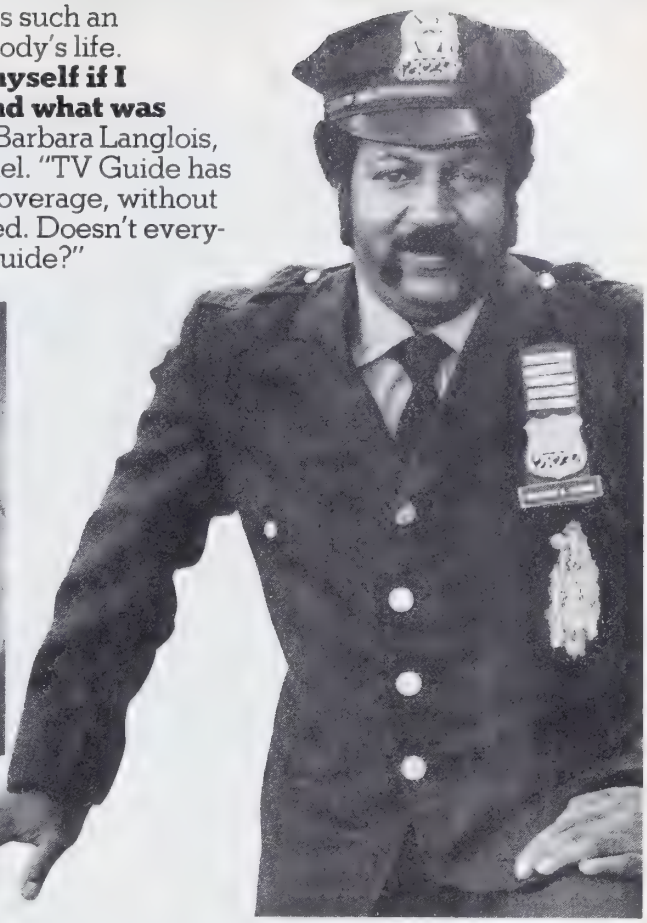
"I see TV Guide as very necessary. It gives you interesting articl that pull together all things that are occurring in television, and I think that's valuable. I wouldn't be without TV Guide."

"From a pro's point of view, TV Guide is the bible of the industry," says actress Beverly Penberthy, star of "Another World." "We have an enormous responsibility. In TV Guide, people have a magazine to complain to. **It has an open mind; you get both sides.**"

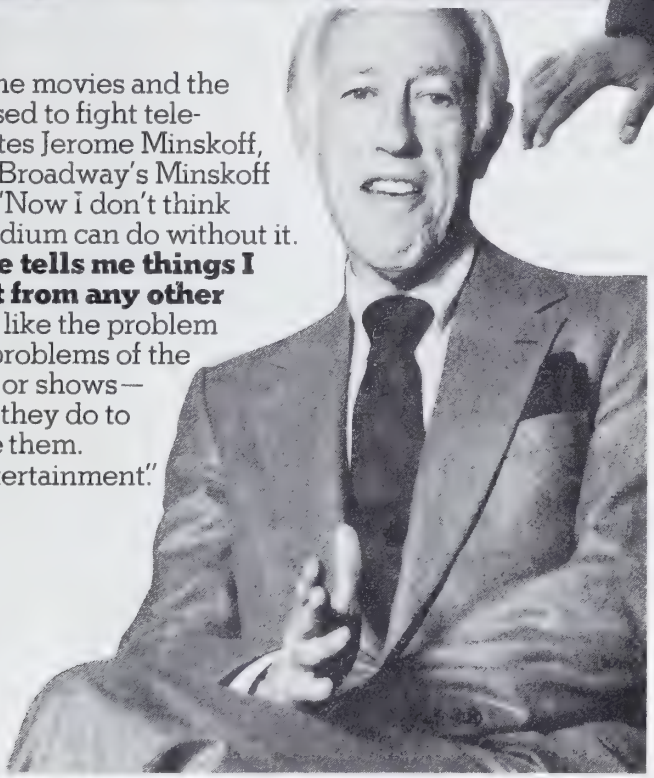
Americc



"Television has such an influence on everybody's life. **I'd be cheating myself if I didn't understand what was going on,"** says Barbara Langlois, top fashion model. "TV Guide has more in-depth coverage, without being opinionated. Doesn't everybody read TV Guide?"



Like most of New York's finest, Richard Ferris is a street sociologist. And TV Guide helps him learn more about the effects of television: "I enjoy the articles. They give you insights you never would know. **Sometimes they're critical about shows, or even networks. I like that."**



"The movies and the
eatre used to fight tele-
on," notes Jerome Minskoff,
ner of Broadway's Minskoff
eatre. "Now I don't think
her medium can do without it.
**V Guide tells me things I
n't get from any other
urce.** I like the problem
eces—problems of the
tworks or shows—
d what they do to
ercome them.
at's entertainment."

Every week, TV Guide delivers the biggest, busiest, buying-est magazine audience in the land. Over 42 million adult readers. And TV Guide reaches your prime prospects faster than any other magazine, to give you the action edge.

Sell to America in America's best selling magazine.

eads TV Guide.

TV GUIDE®

TRIANGLE PUBLICATIONS, INC

e® and the TV Guide logo are registered trademarks of Triangle Publications, Inc.

WHERE THEY RANK: 1979							
Assets	Sales	Market Value	Net Profits	Company (fiscal year end)	Assets ($000)	Sales ($000)	Market Value of Common ($000)
■	445	490	413	**Blue Bell (Sept)**	679,158	1,029,453	407,095
391	■	■	■	**Boatmen's Bancshares (Dec)**	1,879,245	143,179	61,000
131	39	44	40	**Boeing (Dec)**	4,897,200	8,131,000	3,249,383
318	167	228	157	**Boise Cascade (Dec)**	2,309,057	2,916,610	901,143
293	98	276	217	**Borden (Dec)**	2,462,760	4,312,533	743,945
410	182	274	181	**Borg-Warner (Dec)**	1,816,700	2,717,400	746,702
■	498	■	■	**Borman's (Jan)**	142,471	905,376	14,950
456	■	■	458	**Boston Edison (Dec)**	1,659,268	698,002	299,772
■	365	■	■	**Braniff International (Dec)**	1,134,721	1,346,275	170,162
381	178	59	100	**Bristol-Myers (Dec)**	1,922,015	2,752,777	2,422,501
469	■	■	■	**Broadview Financial (Dec)**	1,588,700	137,780	28,244
■	■	406	■	**Brown-Forman Distillers (Apr)**	457,610	337,032	500,294
■	413	■	■	**Brown Group (Oct)**	503,996	1,144,922	186,354
■	386	■	■	**Brunswick (Dec)**	989,046	1,257,333	268,811
■	■	487	479	**Bucyrus-Erie (Dec)**	640,881	552,435	408,240
375	187	425	378	**Burlington Industries (Sept)**	1,954,452	2,676,314	473,631
148	149	284	156	**Burlington Northern (Dec)**	4,228,484	3,250,495	710,150
193	174	45	71	**Burroughs (Dec)**	3,386,661	2,785,492	3,228,501
■	419	423	400	**Cabot (Sept)**	942,973	1,122,391	477,905
■	■	430	■	**Caesars World (July)**	407,738	223,215	467,092
199	■	■	■	**California First Bank (Dec)**	3,265,189	310,658	100,011
■	■	291	462	**Cameron Iron Works (June)**	627,862	545,968	703,232
■	236	197	222	**Campbell Soup (July)**	1,325,823	2,248,692	989,160
■	456	■	■	**Campbell Taggart (Dec)**	423,168	1,007,360	284,181
■	■	329	426	**Capital Cities Communications (Dec)**	473,134	414,890	634,945
292	■	372	336	**Capital Holding (Dec)**	2,466,682	516,375	559,853
490	171	214	207	**Carnation (Dec)**	1,483,566	2,825,508	932,975
176	491	262	185	**Carolina Power & Light (Dec)**	3,647,913	925,910	791,507
492	218	453	403	**Carter Hawley Hale Stores (Jan)**	1,481,249	2,408,028	437,711
■	317	■	■	**Castle & Cooke (Dec)**	1,173,924	1,593,386	354,648
106	45	28	43	**Caterpillar Tractor (Dec)**	5,403,354	7,613,153	4,667,436
■	■	300	459	**[6]CBI Industries (Dec)**	691,155	640,795	692,822
335	127	119	123	**CBS (Dec)**	2,179,529	3,670,390	1,458,382
251	■	■	■	**CBT (Dec)**	2,763,815	265,099	76,954
305	155	308	201	**Celanese (Dec)**	2,380,000	3,146,000	683,148
172	355	188	165	**Central & South West (Dec)**	3,673,477	1,408,608	1,013,765
342	■	■	■	**Central Bancorporation (Dec)**	2,122,847	192,960	127,361
429	■	■	■	**Central Bancshares of the South (Dec)**	1,757,454	170,831	84,449
436	■	■	■	**[7]Central Fidelity Banks (Dec)**	1,751,927	171,771	68,013
■	■	429	482	**Central Louisiana Energy (Dec)**	770,066	710,628	469,480
■	209	■	■	**Central Soya (Aug)**	557,583	2,448,074	201,992
453	■	334	348	**Central Telephone & Utilities (Dec)**	1,664,282	750,505	626,661
191	■	■	■	**Centran (Dec)**	3,416,046	276,663	100,343
■	495	■	■	**Certain-teed (Dec)**	720,326	916,204	198,432
■	482	450	■	**Cessna Aircraft (Sept)**	563,228	939,311	438,487
217	122	140	88	**Champion International (Dec)**	3,040,485	3,750,960	1,272,538
■	■	■	476	**Champion Spark Plug (Dec)**	610,799	806,546	387,393

■ Not on 500 list.

[6]Formerly Chicago Bridge & Iron.
[7]Formerly Commonwealth Banks.

SHARE DATA: 1979								
Shares Outstanding (000)	Where Traded	Ticker Symbol	Earnings Before Extraordinary Items	Dividends	Market Price (Dec. 31)	Corporate Headquarters	Number of Employees (000)	Chief Executive
12,526	NYSE	BBL	5.36	1.60	32½	Greensboro, NC	30.0	**L Kimsey Mann**
2,440	OTC	BOAT	5.36	2.00	25	St Louis, Mo	1.7	**Donald N Brandin**
96,278	NYSE	BA	5.25	1.40	33¾	Seattle, Wash	110.6	**Thornton A Wilson**
26,602	NYSE	BCC	6.52	1.44	33⅞	Boise, Ida	35.7	**John B Fery**
31,160	NYSE	BN	4.31	1.80	23⅞	New York, NY	39.3	**Eugene J Sullivan**
20,814	NYSE	BOR	7.25	2.08	35⅞	Chicago, Ill	56.1	**James F Beré**
2,917	NYSE	BRF	0.16	0.20	5⅛	Detroit, Mich	8.4	**Paul Borman**
13,626	NYSE	BSE	3.52	2.44	22	Boston, Mass	3.9	**Thomas J Galligan Jr**
20,019	NYSE	BNF	–2.21	0.40	8½	Dallas, Tex	15.7	**Harding L Lawrence**
65,473	NYSE	BMY	3.50	1.39	37	New York, NY	34.0	**Richard L Gelb**
2,973	OTC	BDVF	3.28	0.44	9½	Cleveland, Ohio	0.7	**John E Rupert**
12,586	ASE	BFD B	3.15	1.11	39¾	Louisville, Ky	2.2	**W L Lyons Brown Jr**
7,308	NYSE	BG	5.72	1.85	25½	St Louis, Mo	26.0	**W L Hadley Griffin**
20,098	NYSE	BC	2.39	0.78	13⅜	Skokie, Ill	28.0	**K Brooks Abernathy**
20,412	NYSE	BY	2.75	0.88	20	South Milwaukee, Wisc	6.1	**Norris K Ekstrom**
28,067	NYSE	BUR	2.73	1.40	16⅞	Greensboro, NC	67.0	**William A Klopman**
12,653	NYSE	BNI	13.11	1.95	56⅛	St Paul, Minn	56.1	**Norman M Lorentzsen**
41,193	NYSE	BGH	7.45	1.95	78⅜	Detroit, Mich	56.5	**Paul S Mirabito**
10,446	NYSE	CBT	6.83	1.50	45¾	Boston, Mass	8.1	**Robert A Charpie**
26,131	NYSE	CAW	0.35	none	17⅞	Los Angeles, Cal	7.8	**William McElnea Jr**
5,756	OTC	CFBK	3.50	1.01	17⅜	San Francisco, Cal	3.7	**Toshio Nagamura**
28,509	OTC	CAME	1.97	0.19	24¾	Houston, Tex	9.3	**Myron A Wright**
32,972	NYSE	CPB	3.98	1.76	30	Camden, NJ	38.0	**Harold A Shaub**
11,090	NYSE	CTI	2.97	1.05	25⅝	Dallas, Tex	23.2	**C B Lane**
13,058	NYSE	CCB	4.68	0.20	48⅝	New York, NY	5.5	**Thomas S Murphy**
28,347	NYSE	CPH	2.96	0.92	19¾	Louisville, Ky	6.5	**Thomas C Simons**
37,319	NYSE	CMK	3.70	1.50	25	Los Angeles, Cal	22.7	**H Everett Olson**
41,386	NYSE	CPL	3.06	2.02	19⅛	Raleigh, NC	6.2	**Sherwood H Smith Jr**
25,192	NYSE	CHH	2.67	1.08	17⅜	Los Angeles, Cal	53.0	**Philip M Hawley**
25,332	NYSE	CKE	1.19	0.76	14	Honolulu, Haw	43.7	**Donald J Kirchhoff**
86,434	NYSE	CAT	5.69	2.10	54	Peoria, Ill	89.4	**Lee L Morgan**
18,113	NYSE	CBH	3.20	1.20	38¼	Oak Brook, Ill	12.0	**Marvin G Mitchell**
27,845	NYSE	CBS	7.21	2.65	52⅜	New York, NY	38.7	**John D Backe**
2,824	OTC	CBCT	6.12	2.05	27¼	Hartford, Conn	3.7	**Walter J Connolly Jr**
14,420	NYSE	CZ	9.52	3.10	47⅜	New York, NY	33.3	**John D Macomber**
71,771	NYSE	CSR	2.27	1.42	14⅛	Dallas, Tex	8.2	**Durwood Chalker**
5,252	OTC	CBAN	3.95	1.67	24¼	Cincinnati, Ohio	2.5	**Oliver W Birckhead**
6,689	OTC	CBSS	2.61	0.80	12⅝	Birmingham, Ala	2.3	**Harry B Brock Jr**
5,441	OTC	CFBS	2.62	0.95	12½	Richmond, Va	2.7	**Alvin R Clements**
19,360	NYSE	CEL	2.88	0.82	24¼	Lafayette, La	1.3	**Gale L Galloway**
14,428	NYSE	CSY	2.23	0.78	14	Fort Wayne, Ind	9.3	**Douglas G Fleming**
24,696	NYSE	CTU	3.34	1.84	25⅜	Chicago, Ill	12.2	**Robert P Reuss**
3,878	OTC	CENB	5.78	2.16	25⅞	Cleveland, Ohio	2.7	**John A Gelbach**
13,453	NYSE	CRT	1.30	0.90	14¾	Valley Forge, Pa	10.7	**Gabriel Aufaure**
18,659	NYSE	CEA	2.47	0.76	23½	Wichita, Kan	20.5	**Russell W Meyer**
53,300	NYSE	CHA	4.70	1.28	23⅞	Stamford, Conn	43.2	**Andrew C Sigler**
38,261	NYSE	CHM	1.49	0.78	10⅛	Toledo, Ohio	16.0	**Robert A Stranahan Jr**

ata adjusted for stock splits and stock dividends through May 12, 1980.

WHERE THEY RANK: 1979							
Assets	Sales	Market Value	Net Profits	Company (fiscal year end)	Assets ($000)	Sales ($000)	Market Value of Common ($000)
440	101	290	53	**Charter (Dec)**	1,728,694	4,249,695	703,289
4	64	146	72	**Chase Manhattan (Dec)**	64,708,018	6,079,238	1,238,279
9	146	379	215	**Chemical New York (Dec)**	39,375,293	3,291,978	546,115
■	404	286	350	**Chesebrough-Pond's (Dec)**	789,083	1,177,093	709,522
190	281	345	247	**Chessie System (Dec)**	3,418,781	1,859,562	610,702
■	329	■	■	**Chromalloy American (Dec)**	950,120	1,536,489	297,827
80	22	442	■	**Chrysler (Dec)**	6,653,100	12,001,900	450,252
288	402	426	301	**Chubb (Dec)**	2,490,108	1,195,542	472,036
369	■	441	333	**Cincinnati Gas & Electric (Dec)**	1,980,835	825,826	452,749
■	■	462	483	**Cincinnati Milacron (Dec)**	570,562	747,874	432,201
3	26	49	34	**Citicorp (Dec)**	106,370,619	10,904,332	2,942,483
135	60	62	58	**Cities Service (Dec)**	4,773,000	6,276,500	2,315,928
154	■	■	■	**Citizens & Southern Natl Bank (Dec)**	4,059,643	382,529	176,547
405	■	■	■	**Citizens Fidelity (Dec)**	1,827,043	158,914	91,483
76	77	461	224	**City Investing (Dec)**	6,865,456	5,040,710	432,324
■	301	407	282	**Clark Equipment (Dec)**	1,063,075	1,738,104	498,453
■	408	■	370	**Clark Oil & Refining (Dec)**	453,215	1,156,916	200,732
■	■	491	■	**Cleveland-Cliffs Iron (Dec)**	520,376	336,956	406,282
263	■	311	261	**Cleveland Electric Illuminating (Dec)**	2,678,786	824,267	670,670
167	100	270	291	**[8]Coastal Corp (Dec)**	3,775,636	4,287,115	765,593
224	79	32	45	**Coca-Cola (Dec)**	2,938,041	4,961,402	4,262,786
298	92	153	260	**Colgate-Palmolive (Dec)**	2,429,284	4,494,464	1,177,485
■	■	■	392	**Colonial Penn Group (Dec)**	957,995	751,825	340,620
■	246	371	269	**Colt Industries (Dec)**	1,301,619	2,140,515	561,161
177	170	145	184	**Columbia Gas System (Dec)**	3,626,036	2,851,733	1,238,464
499	■	■	453	**Columbus & Southern Ohio Electric (Dec)**	1,448,666	416,770	345,309
■	■	396	318	**Combined Insurance Co of America (Dec)**	1,157,223	662,487	517,714
351	177	203	302	**Combustion Engineering (Dec)**	2,082,960	2,757,504	967,967
268	■	■	■	**Commerce Bancshares (Dec)**	2,652,666	228,336	109,064
■	415	■	■	**Commercial Metals (Aug)**	224,617	1,141,851	75,207
57	181	88	73	**Commonwealth Edison (Dec)**	9,172,615	2,720,922	1,757,660
■	393	■	450	**Commonwealth Oil Refining (Dec)**	644,838	1,213,626	155,625
35	76	124	81	**Connecticut General Insurance (Dec)**	14,949,809	5,089,978	1,425,851
54	20	25	18	**[9]Conoco (Dec)**	9,311,171	12,647,998	5,087,549
73	142	114	68	**Consolidated Edison (Dec)**	7,133,210	3,332,786	1,517,444
348	84	268	268	**Consolidated Foods (June)**	2,089,471	4,720,266	772,018
■	303	■	419	**Consolidated Freightways (Dec)**	769,171	1,719,968	323,111
277	256	256	228	**Consolidated Natural Gas (Dec)**	2,579,387	2,045,947	798,078
■	■	■	488	**Consolidated Papers (Dec)**	341,629	445,447	291,248
101	264	195	116	**Consumers Power (Dec)**	5,579,087	2,003,374	990,107
■	487	■	■	**Continental Airlines (Dec)**	738,707	927,596	153,090
465	■	■	■	**Continental Bank (Dec)**	1,619,610	154,844	96,359
72	147	128	76	**Continental Corp (Dec)**	7,458,312	3,252,707	1,395,762
180	95	209	134	**Continental Group (Dec)**	3,595,300	4,369,700	943,058
10	140	160	129	**Continental Illinois (Dec)**	35,790,119	3,375,857	1,137,351
223	417	247	256	**Continental Telephone (Dec)**	2,944,625	1,134,587	830,825
78	150	223	249	**††Control Data (Dec)**	6,784,500	3,250,000	910,858

■ Not on 500 list.
††Figures include unconsolidated subsidiaries.
[8]Formerly Coastal States Gas.
[9]Formerly Continental Oil.

A ROSTER OF THE U.S.'s BIGGEST CORPORATIONS

SHARE DATA: 1979								
Shares Outstanding (000)	Where Traded	Ticker Symbol	Earnings Before Extraordinary Items	Dividends	Market Price (Dec. 31)	Corporate Headquarters	Number of Employees (000)	Chief Executive
20,166	NYSE	CHR	14.93	0.52	34⅞	Jacksonville, Fla	8.0	**Raymond K Mason**
32,059	NYSE	CMB	8.81	2.40	38⅝	New York, NY	32.5	**Willard C Butcher**
14,911	NYSE	CHL	8.53	3.16	36⅝	New York, NY	17.5	**Donald C Platten**
32,251	NYSE	CBM	2.56	1.08	22	Greenwich, Conn	19.4	**Ralph E Ward**
20,023	NYSE	CO	6.05	2.32	30½	Baltimore, Md	39.9	**Hays T Watkins**
12,949	NYSE	CRO	3.60	1.10	23	Clayton, Mo	27.0	**Richard L Wachtell**
66,704	NYSE	C	–17.18	0.20	6¾	Highland Park, Mich	109.3	**Lee A Iacocca**
12,422	OTC	CHUB	7.87	2.20	38	New York, NY	7.6	**William M Rees**
27,233	NYSE	CIN	2.59	1.96	16⅝	Cincinnati, Ohio	4.8	**William H Dickhoner**
14,968	NYSE	CMZ	3.70	0.66	28⅞	Cincinnati, Ohio	14.1	**James A Geier**
123,894	NYSE	FNC	4.34	1.27	23¾	New York, NY	51.6	**Walter B Wriston**
83,208	NYSE	CS	4.18	1.13	27⅞	Tulsa, Okla	18.5	**Robert V Sellers**
28,824	OTC	CSGA	0.79	0.06	6⅛	Atlanta, Ga	5.6	**Bennett A Brown**
3,734	OTC	CFDY	3.95	1.35	24½	Louisville, Ky	1.7	**J David Grissom**
24,018	NYSE	CNV	5.07	1.15	18	Beverly Hills, Cal	69.4	**George T Scharffenberger**
12,989	NYSE	CKL	8.03	2.10	38⅜	Buchanan, Mich	21.8	**Bert E Phillips**
7,169	NYSE	CKO	10.76	0.73	28	Milwaukee, Wisc	7.9	**Robert G Reed III**
12,219	NYSE	CLF	3.85	1.40	33¼	Cleveland, Ohio	8.6	**Samuel K Scovil**
41,272	NYSE	CVX	2.31	1.92	16¼	Cleveland, Ohio	5.0	**Robert M Ginn**
21,566	NYSE	CGP	4.92	0.35	35½	Houston, Tex	6.1	**Oscar S Wyatt Jr**
123,559	NYSE	KO	3.40	1.96	34½	Atlanta, Ga	38.6	**J Paul Austin**
81,912	NYSE	CL	1.39	1.08	14⅜	New York, NY	48.8	**Keith Crane**
16,124	NYSE	CPG	4.45	1.30	21⅛	Philadelphia, Pa	4.8	**John J MacWilliams**
12,790	NYSE	COT	8.40	2.50	43⅞	New York, NY	32.1	**George A Strichman**
32,807	NYSE	CG	4.39	2.44	37¾	Wilmington, Del	11.4	**Bernard J Clarke**
16,346	NYSE	COC	2.84	2.32	21⅛	Columbus, Ohio	3.0	**Ben T Ray**
27,070	OTC	COMB	3.37	1.25	19⅛	Chicago, Ill	3.3	**Clement Stone**
16,337	NYSE	CSP	5.96	2.10	59¼	Stamford, Conn	43.3	**Arthur J Santry Jr**
4,794	OTC	CBSH	4.73	1.48	22¾	Kansas City, Mo	3.2	**James M Kemper Jr**
2,838	ASE	CMC	5.33	0.55	26½	Dallas, Tex	2.7	**Stanley A Rabin**
87,883	NYSE	CWE	2.51	2.60	20	Chicago, Ill	16.4	**James J O'Connor**
15,000	NYSE	CWO	3.93	none	10⅜	San Antonio, Tex	1.5	**C Howard Hardesty Jr**
41,329	NYSE	CGN	6.54	1.26	34½	Hartford, Conn	13.9	**Robert D Kilpatrick**
107,673	NYSE	CLL	7.58	1.70	47¼	Stamford, Conn	40.5	**Ralph E Bailey**
62,575	NYSE	ED	4.51	2.44	24¼	New York, NY	23.1	**Charles F Luce**
29,693	NYSE	CFD	3.60	1.60	26	Chicago, Ill	94.5	**John H Bryan Jr**
13,055	NYSE	CNF	5.06	1.25	24¾	San Francisco, Cal	24.3	**Raymond F O'Brien**
19,645	NYSE	CNG	6.30	3.00	40⅝	Pittsburgh, Pa	7.5	**George J Tankersley**
5,344	OTC	CPER	10.29	3.30	54½	Wisconsin Rapids, Wisc	5.4	**George W Mead**
52,456	NYSE	CMS	3.24	2.30	18⅞	Jackson, Mich	12.1	**John D Selby**
15,309	NYSE	CAL	–0.87	0.40	10	Los Angeles, Cal	12.5	**Alvin L Feldman**
3,933	OTC	CBTN	4.40	1.75	24½	Norristown, Pa	1.5	**Roy T Peraino**
52,423	NYSE	CIC	5.35	2.00	26⅝	New York, NY	23.2	**John B Ricker Jr**
32,660	NYSE	CCC	5.27	2.25	28⅞	Stamford, Conn	62.1	**Robert S Hatfield**
39,219	NYSE	CIL	4.99	1.48	29	Chicago, Ill	11.8	**Roger E Anderson**
51,524	NYSE	CTC	2.15	1.33	16⅛	Atlanta, Ga	19.0	**Charles Wohlstetter**
16,790	NYSE	CDA	6.91	0.40	54¼	Minneapolis, Minn	57.2	**William C Norris**

ıta adjusted for stock splits and stock dividends through May 12, 1980.

WHERE THEY RANK: 1979							
Assets	Sales	Market Value	Net Profits	Company (fiscal year end)	Assets ($000)	Sales ($000)	Market Value of Common ($000)
484	358	225	265	**Cooper Industries (Dec)**	1,500,071	1,394,797	909,305
■	■	434	407	**Adolph Coors (Dec)**	828,945	740,504	459,926
■	352	196	234	**Corning Glass Works (Dec)**	1,385,163	1,421,598	989,632
■	■	457	■	**Cox Broadcasting (Dec)**	379,091	271,187	433,174
355	126	123	150	**CPC International (Dec)**	2,067,644	3,698,689	1,436,684
■	324	■	484	**Crane (Dec)**	1,042,254	1,573,199	330,805
32	322	■	254	**Crocker National (Dec)**	16,138,650	1,577,900	374,158
■	440	■	393	**Crown Central Petroleum (Dec)**	505,027	1,054,771	222,067
■	356	454	401	**Crown Cork & Seal (Dec)**	828,154	1,402,383	436,817
337	173	165	219	**Crown Zellerbach (Dec)**	2,160,600	2,804,100	1,105,901
184	300	271	193	**Crum & Forster (Dec)**	3,520,305	1,745,068	757,904
395	■	■	■	**Cullen/Frost Bankers (Dec)**	1,868,213	166,814	71,595
■	297	■	465	**Cummins Engine (Dec)**	1,102,588	1,770,834	258,943
■	496	■	■	**Cyclops (Dec)**	402,580	915,361	70,199
431	176	244	167	**Dana (Aug)**	1,755,876	2,761,135	839,733
386	219	212	161	**Dart Industries (Dec)**	1,907,245	2,403,266	936,623
■	■	376	■	**Data General (Sept)**	468,573	507,483	552,262
■	■	470	■	**Datapoint (July)**	167,941	232,101	426,712
400	139	190	132	**Dayton-Hudson (Jan)**	1,832,785	3,384,849	1,005,135
493	■	■	443	**Dayton Power & Light (Dec)**	1,480,808	577,232	345,608
421	■	■	■	**Dean Witter Reynolds Organization (Aug)**	1,787,913	521,012	87,648
150	80	60	70	**Deere (Oct)**	4,179,232	4,933,104	2,380,091
■	■	■	499	**Delmarva Power & Lt (Dec)**	1,249,606	424,699	306,800
420	215	264	211	**Delta Air Lines (June)**	1,788,325	2,427,846	781,757
■	■	492	■	**Deluxe Check Printers (Dec)**	216,603	366,056	406,014
480	■	■	■	**Deposit Guaranty (Dec)**	1,519,130	132,450	67,988
118	306	218	155	**Detroit Edison (Dec)**	5,146,023	1,698,511	921,443
123	■	■	■	**DETROITBANK (Dec)**	5,066,835	439,836	218,927
■	381	421	441	**Diamond International (Dec)**	820,071	1,283,377	480,867
299	226	98	152	**Diamond Shamrock (Dec)**	2,417,565	2,356,858	1,675,580
■	446	■	■	**Di Giorgio (Dec)**	305,686	1,028,502	79,349
396	289	52	151	**Digital Equipment (June)**	1,863,180	1,804,092	2,816,574
■	409	■	■	**Dillingham (Dec)**	701,697	1,154,911	158,635
■	291	■	■	**Dillon Companies (June)**	387,170	1,792,217	254,189
■	■	120	258	**Walt Disney Productions (Sept)**	1,196,424	796,773	1,449,956
360	■	■	■	**Dominion Bankshares (Dec)**	2,013,422	187,223	110,360
280	■	■	■	**Donaldson, Lufkin & Jenrette (Dec)**	2,531,873	329,918	34,860
■	472	399	429	**R R Donnelley & Sons (Dec)**	670,083	957,807	515,827
■	■	364	472	**Dover (Dec)**	414,456	666,801	566,928
49	33	21	20	**Dow Chemical (Dec)**	10,251,637	9,255,387	5,820,440
■	■	336	■	**Dow Jones (Dec)**	335,670	440,929	624,962
■	461	■	■	**Dravo (Dec)**	616,084	992,332	248,496
286	136	72	103	**Dresser Industries (Oct)**	2,503,800	3,457,400	2,021,552
100	337	130	80	**Duke Power (Dec)**	5,626,075	1,492,557	1,371,185
■	473	148	323	**Dun & Bradstreet (Dec)**	672,601	951,708	1,216,171
61	21	20	16	**E I du Pont de Nemours (Dec)**	8,940,200	12,571,800	5,843,030
331	■	417	365	**Duquesne Light (Dec)**	2,222,537	622,540	484,369

■ Not on 500 list.

SHARE DATA: 1979								
Shares Outstanding (000)	Where Traded	Ticker Symbol	Earnings Before Extraordinary Items	Dividends	Market Price (Dec. 31)	Corporate Headquarters	Number of Employees (000)	Chief Executive
29,874	NYSE	CBE	2.76	0.92	30½	Houston, Tex	26.5	Robert Cizik
35,042	OTC	ACCOB	1.95	0.25	13⅛	Golden, Colo	9.4	William K Coors
17,672	NYSE	GLW	7.05	1.94	56	Corning, NY	30.2	Amory Houghton Jr
6,742	NYSE	COX	6.20	0.75	64¼	Atlanta, Ga	2.0	Clifford M Kirtland Jr
23,796	NYSE	CPC	7.51	2.93	60⅜	Englewood Cliffs, NJ	41.0	James W McKee Jr
10,148	NYSE	CR	5.39	1.42	32⅝	New York, NY	21.0	Thomas M Evans
12,902	NYSE	CKN	8.94	1.95	29	San Francisco, Cal	16.6	Thomas R Wilcox
5,362	ASE	CNP A	13.37	0.37	41½	Baltimore, Md	1.3	Henry A Rosenberg Jr
14,998	NYSE	CCK	4.65	none	29⅛	Philadelphia, Pa	16.1	John F Connelly
25,423	NYSE	ZB	5.24	2.00	43½	San Francisco, Cal	31.6	Charles R Dahl
13,843	NYSE	CMF	10.80	2.30	54¾	New York, NY	9.6	B P Russell
3,182	OTC	CFBI	3.85	0.91	22½	San Antonio, Tex	1.9	Thomas C Frost Jr
8,353	NYSE	CUM	6.84	1.80	31	Columbus, Ind	23.8	Henry B Schacht
3,155	NYSE	CYL	1.35	1.23	22¼	Pittsburgh, Pa	8.9	William H Knoell
32,611	NYSE	DCN	5.03	1.46	25¾	Toledo, Ohio	36.5	Gerald B Mitchell
23,863	NYSE	D	7.04	1.80	39¼	Los Angeles, Cal	31.2	Justin Dart
10,064	NYSE	DGN	4.82	none	54⅞	Westboro, Mass	13.4	Edson D deCastro
4,103	NYSE	DPT	5.86	none	104	San Antonio, Tex	5.1	Harold E O'Kelley
23,720	NYSE	DH	8.10	1.65	42⅜	Minneapolis, Minn	40.0	William A Andres
23,835	NYSE	DPL	2.01	1.72	14½	Dayton, Ohio	3.7	Robert E Frazer
7,968	NYSE	DWR	1.37	0.80	11	San Francisco, Cal	9.0	Andrew J Melton Jr
60,833	NYSE	DE	5.12	1.55	39⅛	Moline, Ill	65.4	William A Hewitt
24,301	NYSE	DEW	1.91	1.38	12⅝	Wilmington, Del	2.5	Robert D Weimer
19,981	NYSE	DAL	6.88	1.15	39⅛	Atlanta, Ga	34.5	David C Garrett Jr
11,437	OTC	DELX	3.37	1.26	35½	St Paul, Minn	9.4	Eugene R Olson
2,956	OTC	DEPS	4.33	1.40	23	Jackson, Miss	1.5	Warren A Hood
74,460	NYSE	DTE	1.90	1.58	12⅜	Detroit, Mich	10.9	William G Meese
8,502	OTC	DBNK	4.77	1.65	25¾	Detroit, Mich	3.9	Rodkey Craighead
12,866	NYSE	DN	4.58	2.10	37⅜	New York, NY	18.5	William J Koslo
53,193	NYSE	DIA	3.37	1.51	31½	Dallas, Tex	12.4	William H Bricker
6,163	NYSE	DIG	1.73	0.52	12⅞	San Francisco, Cal	5.0	Robert Di Giorgio
40,894	NYSE	DEC	4.10	none	68⅞	Maynard, Mass	44.0	Kenneth H Olsen
12,819	NYSE	DHM	2.05	0.56	12⅜	Honolulu, Haw	11.0	Herbert C Cornuelle
16,139	NYSE	DLL	2.08	0.93	15¾	Hutchinson, Kan	19.9	Ray E Dillon, Jr
32,311	NYSE	DIS	3.51	0.48	44⅞	Burbank, Cal	21.0	E Cardon Walker
7,007	OTC	DMBK	2.65	0.90	15¾	Roanoke, Va	2.7	Byron A Hicks
8,715	NYSE	DLJ	0.43	0.14	4	New York, NY	1.9	Richard H Jenrette
18,505	NYSE	DNY	3.42	1.00	27⅞	Chicago, Ill	14.4	Charles W Lake Jr
17,856	NYSE	DOV	3.20	0.78	31¾	New York, NY	12.1	Thomas C Sutton
181,181	NYSE	DOW	4.33	1.45	32⅛	Midland, Mich	55.9	Paul F Oreffice
15,527	NYSE	DJ	3.29	1.44	40¼	New York, NY	4.9	Warren H Phillips
8,016	NYSE	DRV	3.47	1.28	31	Pittsburgh, Pa	14.4	Robert Dickey III
38,876	NYSE	DI	5.88	1.05	52	Dallas, Tex	55.2	John V James
79,489	NYSE	DUK	2.88	1.83	17¼	Charlotte, NC	20.1	Carl Horn Jr
27,719	NYSE	DNB	3.19	1.67	43⅞	New York, NY	24.3	Harrington Drake
144,719	NYSE	DD	6.42	2.75	40⅜	Wilmington, Del	135.5	Irving S Shapiro
35,550	NYSE	DQU	1.69	1.74	13⅝	Pittsburgh, Pa	4.4	John M Arthur

ata adjusted for stock splits and stock dividends through May 12, 1980.

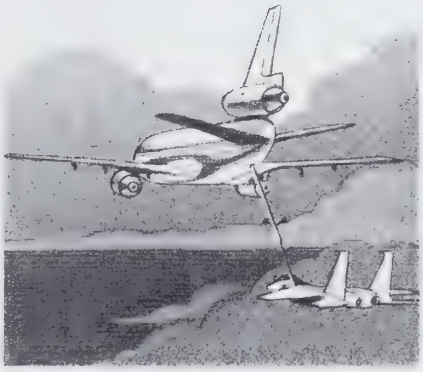
BT
041

DEAS AT WORK FOR YOU IN DEFENSE.

Climb straight up faster than the speed of sound.

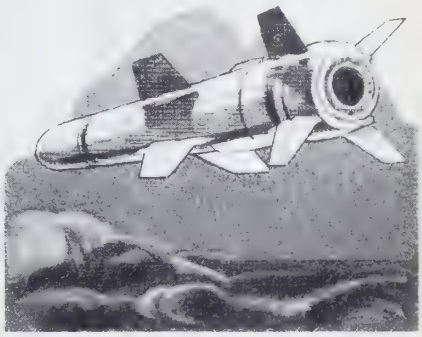
el the power as the earth retreats
l the sky opens overhead.
limb to the stratosphere then roll
oothly toward the target, searching
ahead.
his is the Air Force's all-weather
5 Eagle. The air superiority fighter
defense of the skies. An aircraft for
ke and reconnaissance to protect
men on the ground.
or defending the skies, no plane
match its combination of range,
nament, speed and maneuverability.
combat, the Eagle's advanced
ctronic systems, long range radar,
l mix of missiles, bombloads and
give Eagle pilots the advantage
r any threat they may face. What-
r the need, whatever the mission,
Donnell Douglas has the ideas, and
planes, to do the job.

ueling and airlift all in one plane.
version of our DC-10 jetliner, the
-10, has been selected by the U.S.
Force for tanker and cargo missions.
KC-10 can refuel fighters or other
go planes far out over the Atlantic



and then fly home. Or it can carry up to 85 tons of cargo to bases in distant lands. With the KC-10, the U.S. will be able to send planes and their support crews and equipment just about anywhere on earth, whenever and wherever they are needed for Free World defense.

Keeping the sea lanes free lanes.
We're building the Harpoon sea defense missile so that it can be launched from submarines, ships, or aircraft. A single ship equipped with Harpoons can continuously defend 8,000 square miles (12,500 square kilometers) of ocean. Day or night, in any weather or sea condition, Harpoon now stands guard with the U.S. Navy and with several Allied nations.



Harpoon—one missile for many services but with one mission—to keep the sea lanes free.

If you would like more information about our products for defense, and about what we do in energy, health care, air transport and communications, send for our colorful and informative folder. Write "What We Do," McDonnell Douglas, Box 14526, St. Louis, MO 63178.

MCDONNELL DOUGLAS

A JOB? LET'S SWAP RESUMES SEND YOURS, WE'LL SEND OURS AN EQUAL OPPORTUNITY EMPLOYER WRITE BOX 14526, ST. LOUIS, MO 63178

WHERE THEY RANK: 1979							
Assets	Sales	Market Value	Net Profits	Company (fiscal year end)	Assets ($000)	Sales ($000)	Market Value of Common ($000)
294	168	■	467	**Eastern Air Lines (Dec)**	2,453,018	2,881,526	189,635
■	■	439	■	**Eastern Gas & Fuel Associates (Dec)**	923,149	859,975	455,898
70	40	14	15	**Eastman Kodak (Dec)**	7,546,912	8,028,231	7,767,086
307	141	312	183	**Eaton (Dec)**	2,355,436	3,359,914	669,223
■	373	321	457	**Jack Eckerd (July)**	490,137	1,325,140	653,718
181	161	175	206	**El Paso (Dec)**	3,569,878	3,088,556	1,064,996
446	192	70	121	**Emerson Electric (Sept)**	1,697,567	2,614,110	2,107,605
■	323	■	496	**Emhart (Dec)**	964,544	1,573,475	377,500
■	■	432	■	**Energy Reserves Group (Dec)**	203,517	102,346	462,010
96	14	67	57	**Engelhard Minerals & Chemicals (Dec)**	5,800,002	18,079,793	2,150,100
390	240	237	311	**ENSERCH (Dec)**	1,881,447	2,238,216	864,954
267	■	■	■	**Equimark (Dec)**	2,660,925	238,955	37,969
358	■	■	■	**Equitable Bancorporation (Dec)**	2,038,702	199,812	57,747
463	■	■	■	**Equitable of Iowa Cos (Dec)**	1,627,951	390,439	115,575
486	■	■	■	**Equitable Savings & Loan Assoc (Dec)**	1,493,844	162,908	48,556
■	■	436	■	**ERC (Dec)**	1,427,077	535,793	459,278
303	55	333	314	**Esmark (Oct)**	2,389,872	6,743,167	629,120
■	310	375	304	**Ethyl (Dec)**	1,141,798	1,656,977	552,321
■	340	■	438	**Evans Products (Dec)**	788,027	1,481,644	270,732
■	471	497	494	**Ex-Cell-O (Nov)**	618,845	961,867	397,761
6	1	3	2	**Exxon (Dec)**	49,489,964	79,106,889	24,189,842
■	■	221	286	**Farmers Group (Dec)**	1,265,624	434,507	915,705
■	468	■	■	**Fed-Mart (Aug)**	321,332	975,139	29,495
5	104	208	172	**Federal National Mortgage Assoc (Dec)**	51,299,667	4,211,834	945,989
198	66	134	119	**Federated Department Stores (Jan)**	3,295,344	5,806,442	1,334,011
242	■	■	■	**Fidelcor (Dec)**	2,837,442	284,417	54,362
309	■	■	■	**Fidelity Financial (Dec)**	2,344,655	215,658	56,933
311	■	■	■	**Fidelity Union Bancorp (Dec)**	2,341,630	197,489	117,250
442	■	■	■	**Financial Corp of Santa Barbara (Dec)**	1,726,736	150,841	57,052
302	■	■	■	**Financial Federation (Dec)**	2,397,189	220,466	128,196
322	■	■	■	**Financial General Bankshares (Dec)**	2,292,805	203,778	121,415
186	71	401	368	**Firestone Tire & Rubber (Oct)**	3,457,100	5,284,200	511,688
404	■	■	■	**First Alabama Bancshares (Dec)**	1,828,885	186,367	108,243
444	■	■	■	**First American Bank (Dec)**	1,713,173	152,640	67,040
401	■	■	■	**First Amtenn (Dec)**	1,831,947	174,888	59,850
320	■	■	■	**First & Merchants (Dec)**	2,296,838	216,544	67,190
220	■	■	■	**First Atlanta (Dec)**	2,999,586	298,462	79,891
41	441	353	287	**First Bank System (Dec)**	12,118,450	1,054,343	592,737
132	■	■	■	**First Boston (Dec)**	4,890,917	145,495	70,308
50	■	386	316	**First Charter Financial (Dec)**	9,548,833	846,313	532,246
14	189	343	263	**First Chicago (Dec)**	30,181,800	2,645,963	614,312
52	■	405	406	**First City Bancorporation of Texas (Dec)**	9,504,717	809,730	503,014
409	■	■	■	**First Empire State (Dec)**	1,817,671	172,431	30,831
411	■	■	■	**First Florida Banks (Dec)**	1,814,677	144,851	55,979
447	■	■	■	**First Hawaiian (Dec)**	1,696,598	152,728	77,342
43	434	263	300	**First International Bancshares (Dec)**	11,503,940	1,071,192	784,692
349	■	■	■	**First Kentucky National (Dec)**	2,088,777	190,320	116,997

■ Not on 500 list.

A ROSTER OF THE U.S.'s BIGGEST CORPORATIONS

SHARE DATA: 1979								
Shares Outstanding (000)	Where Traded	Ticker Symbol	Earnings Before Extraordinary Items	Dividends	Market Price (Dec. 31)	Corporate Headquarters	Number of Employees (000)	Chief Executive
24,469	NYSE	EAL	2.10	none	7¾	Miami, Fla	38.9	**Frank Borman**
21,082	NYSE	EFU	2.27	0.86	21⅝	Boston, Mass	9.8	**William J Pruyn**
161,394	NYSE	EK	6.20	2.80	48⅛	Rochester, NY	126.3	**Walter A Fallon**
26,116	NYSE	ETN	5.89	1.61	25⅝	Cleveland, Ohio	57.8	**E Mandell de Windt**
23,664	NYSE	ECK	2.53	0.85	27⅝	Clearwater, Fla	24.0	**Stewart Turley**
46,813	NYSE	ELG	2.99	1.36	22¾	Houston, Tex	8.7	**Travis H Petty**
60,003	NYSE	EMR	3.37	1.48	35⅛	St Louis, Mo	53.9	**Charles F Knight**
12,080	NYSE	EMH	4.38	2.30	31¼	Farmington, Conn	37.5	**T Mitchell Ford**
48,001	OTC	ERGS	0.30	none	9⅝	Wichita, Kan	0.6	**Richard K Volk**
68,011	NYSE	ENG	5.32	0.77	31⅝	New York, NY	12.4	**Milton F Rosenthal**
29,698	NYSE	ENS	2.85	1.41	29⅛	Dallas, Tex	18.4	**William C McCord**
4,161	NYSE	EQK	1.51	0.96	9⅛	Pittsburgh, Pa	2.2	**William E Bierer**
3,976	OTC	EBNC	3.31	0.64	14⅝	Baltimore, Md	2.8	**Owen Daly II**
5,025	OTC	EQIC	4.65	1.23	23	Des Moines, Iowa	5.3	**Kenneth R Austin**
1,952	OTC	EQTB	4.41	1.00	24⅞	Portland, Ore	1.0	**William E Love**
5,567	OTC	ERCC	8.75	1.25	82½	Kansas City, Mo	0.8	**Stanford Miller**
21,978	NYSE	ESM	4.40	1.84	28⅝	Chicago, Ill	44.0	**Donald P Kelly**
19,128	NYSE	EY	4.94	1.28	28⅞	Richmond, Va	16.0	**Floyd D Gottwald Jr**
12,306	NYSE	EVY	4.65	1.40	22	Portland, Ore	18.5	**Monford A Orloff**
10,199	NYSE	XLO	5.31	1.75	39	Troy, Mich	16.9	**Edward J Giblin**
438,818	NYSE	XON	9.74	3.90	55⅛	New York, NY	169.1	**Clifton C Garvin Jr**
33,915	OTC	FGRP	3.00	0.84	27	Los Angeles, Cal	10.4	**Richard G Lindsley**
2,226	ASE	FMI	–5.54	0.30	13¼	San Diego, Cal	10.5	**Heinz L Gundlach**
58,666	NYSE	FNM	2.81	1.28	16⅛	Washington, DC	1.3	**A Oakley Hunter**
48,290	NYSE	FDS	4.21	1.70	27⅝	Cincinnati, Ohio	112.5	**Ralph Lazarus**
4,942	OTC	FICR	0.81	0.06	11	Philadelphia, Pa	3.0	**Raymond J Dempsey**
6,415	NYSE	FDY	2.48	0.60	8⅞	San Francisco, Cal	1.0	**Adolph C Meyer Jr**
3,813	NYSE	FDU	5.87	2.70	30¾	Newark, NJ	2.4	**C Malcolm Davis**
3,901	NYSE	FSB	3.14	1.00	14⅝	Santa Barbara, Cal	0.7	**David L Tilton**
4,186	NYSE	FFI	5.34	1.25	30⅝	Los Angeles, Cal	0.6	**Edward L Johnson**
6,938	ASE	FGL	2.25	0.38	17½	Washington, DC	3.5	**J William Middendorf II**
57,655	NYSE	FIR	1.35	0.98	8⅞	Akron, Ohio	107.0	**Richard A Riley**
5,697	OTC	FABC	3.92	1.23	19	Montgomery, Ala	2.5	**Frank A Plummer**
4,063	OTC	FABK	3.83	1.05	16½	Kalamazoo, Mich	2.1	**James H Duncan**
5,985	OTC	FATN	1.93	0.57	10	Nashville, Tenn	2.1	**Kenneth L Roberts**
3,318	OTC	FMCH	4.09	1.57	20¼	Richmond, Va	3.3	**C Coleman McGehee**
6,947	OTC	FATL	2.58	0.85	11½	Atlanta, Ga	4.2	**Thomas R Williams**
15,006	OTC	FBKS	6.80	2.04	39½	Minneapolis, Minn	9.4	**Donald R Grangaard**
4,536	OTC	FBOS	3.78	0.50	15½	New York, NY	1.3	**George L Shinn**
29,776	NYSE	FCF	3.05	0.80	17⅞	Beverly Hills, Cal	2.3	**S Mark Taper**
39,633	NYSE	FNB	2.83	1.13	15½	Chicago, Ill	10.2	**A Robert Abboud**
12,981	NYSE	FBT	5.34	1.50	38¾	Houston, Tex	5.8	**James A Elkins Jr**
2,868	OTC	FEMP	3.04	0.20	10¾	Buffalo, NY	2.2	**Claude F Shuchter**
11,785	OTC	FFBK	1.13	0.36	4¾	Tampa, Fla	2.0	**Chester H Ferguson**
3,033	OTC	FHWN	4.91	2.06	25½	Honolulu, Haw	2.1	**John D Bellinger**
20,448	NYSE	FIB	4.79	1.40	38⅜	Dallas, Tex	5.4	**Robert H Stewart III**
3,966	OTC	FKYN	4.77	1.70	29½	Louisville, Ky	2.4	**A Stevens Miles**

lata adjusted for stock splits and stock dividends through May 12, 1980.

WHERE THEY RANK: 1979							
Assets	Sales	Market Value	Net Profits	Company (fiscal year end)	Assets ($000)	Sales ($000)	Market Value of Common ($000)
350	■	■	■	**First Maryland Bancorp (Dec)**	2,088,484	202,390	113,975
287	■	■	■	**First National Bancorp (Dec)**	2,498,981	228,948	76,576
37	315	■	340	**First National Boston (Dec)**	13,759,850	1,637,090	354,028
382	■	■	■	**First National Charter (Dec)**	1,918,841	151,871	99,004
435	■	■	■	**First National Cincinnati (Dec)**	1,752,813	153,960	126,000
214	■	■	■	**First National State Bancorp (Dec)**	3,109,914	252,897	85,490
■	422	■	■	**First National Supermarkets (Mar)**	233,429	1,111,691	23,672
426	■	■	■	**First Oklahoma Bancorporation (Dec)**	1,769,071	165,231	163,415
60	462	■	■	**First Pennsylvania (Dec)**	8,986,646	991,227	136,045
189	■	■	■	**First Security (Dec)**	3,425,702	347,980	232,164
258	■	■	■	**First Tennessee National (Dec)**	2,699,941	244,206	104,916
159	■	■	■	**First Union Bancorporation (Dec)**	3,897,845	338,534	131,702
212	■	■	■	**First Union (Dec)**	3,120,991	311,160	98,056
430	■	■	■	**First United Bancorporation (Dec)**	1,756,768	154,439	88,944
498	■	■	■	**First Virginia Banks (Dec)**	1,457,863	135,614	70,586
119	■	■	■	**First Wisconsin (Dec)**	5,106,707	434,568	104,700
■	370	■	■	**Fisher Foods (Dec)**	332,892	1,336,293	58,181
398	■	■	■	**Flagship Banks (Dec)**	1,847,175	172,093	88,463
■	201	■	■	**Fleming Companies (Dec)**	297,265	2,507,684	110,915
■	494	■	■	**Flickinger (July)**	111,198	920,098	34,046
338	■	■	■	**Florida National Banks of Florida (Dec)**	2,135,436	169,282	93,738
383	■	478	383	**Florida Power (Dec)**	1,914,225	835,493	411,885
133	271	185	115	**Florida Power & Light (Dec)**	4,847,532	1,933,937	1,020,475
■	132	143	296	**Fluor (Oct)**	1,267,739	3,543,310	1,242,582
297	144	246	189	**FMC (Dec)**	2,434,774	3,307,484	835,614
■	458	■	■	**Food Fair (July)**	659,007‡	1,000,000*	21,154
21	5	39	12	**Ford Motor (Dec)**	23,510,200	43,513,700	3,845,696
■	143	■	466	**Foremost-McKesson (Mar)**	1,134,114	3,313,155	380,096
■	■	346	454	**Fort Howard Paper (Dec)**	421,818	342,486	610,521
■	311	443	■	**Foster Wheeler (Dec)**	894,855	1,654,010	449,361
■	■	129	288	**Freeport Minerals (Dec)**	683,152	487,692	1,374,593
485	208	■	324	**Fruehauf (Dec)**	1,499,977	2,451,346	337,912
■	252	■	416	**Fuqua Industries (Dec)**	925,796	2,056,824	235,931
■	395	■	■	**GAF (Dec)**	835,635	1,213,243	136,151
■	253	■	■	**Gamble-Skogmo (Jan)**	1,076,519	2,053,003	138,387
■	436	100	216	**Gannett (Dec)**	1,049,262	1,065,244	1,664,422
327	■	447	398	**GATX (Dec)**	2,257,683	896,452	444,491
■	■	■	455	**GEICO (Dec)**	1,412,297	704,588	253,721
■	■	211	■	**General American Oil Co of Texas (June)**	391,613	149,168	940,957
365	109	106	139	**General Dynamics (Dec)**	2,004,798	4,059,576	1,609,482
31	11	8	9	**General Electric (Dec)**	16,644,500	22,460,600	11,534,349
278	67	97	99	**General Foods (Mar)**	2,565,312	5,472,456	1,679,972
■	■	446	■	**General Instrument (Feb)**	514,232	718,104	446,097
399	123	141	195	**General Mills (May)**	1,835,200	3,745,000	1,257,875
11	2	4	4	**General Motors (Dec)**	32,022,900	66,311,200	14,468,200
127	338	389	307	**General Public Utilities (Dec)**	4,991,994	1,490,154	528,402
257	■	177	218	**General Reinsurance (Dec)**	2,706,805	903,556	1,057,203

■ Not on 500 list.
‡Assets as of 5/5/79.
*Estimated.

A ROSTER OF THE U.S.'s BIGGEST CORPORATIONS

SHARE DATA: 1979								
Shares Outstanding (000)	Where Traded	Ticker Symbol	Earnings Before Extraordinary Items	Dividends	Market Price (Dec. 31)	Corporate Headquarters	Number of Employees (000)	Chief Executive
5,875	OTC	FMDB	3.16	1.10	19½	Baltimore, Md	2.5	**J Owen Cole**
4,786	OTC	FNTL	3.36	1.06	16	Denver, Colo	2.7	**Theodore D Brown**
12,314	NYSE	FB	6.84	2.05	28¾	Boston, Mass	10.6	**Richard D Hill**
3,736	OTC	FNCH	4.03	1.58	26½	Kansas City, Mo	1.8	**Gordon E Wells**
4,500	OTC	FNAC	5.01	2.00	28	Cincinnati, Ohio	1.6	**William N Liggett**
4,120	NYSE	FNS	4.43	2.15	20¾	Newark, NJ	2.7	**Robert R Ferguson Jr**
4,304	OTC	FOOD	0.96	0.02	5½	Maple Heights, Ohio	20.0	**Richard J Bogomolny**
9,016	OTC	FOKL	2.15	0.30	18⅛	Oklahoma City, Okla	1.3	**Charles A Vose**
15,548	NYSE	FPA	1.06	1.32	8¾	Philadelphia, Pa	6.5	**George A Butler**
11,830	OTC	FSCO	2.97	0.86	19⅝	Salt Lake City, Utah	4.6	**George S Eccles**
9,025	OTC	FTEN	2.41	0.69	11⅝	Memphis, Tenn	3.2	**Ronald A Terry**
4,662	OTC	FUBC	5.95	2.15	28¼	St Louis, Mo	3.1	**Clarence C Barksdale**
6,942	OTC	FUNC	3.39	0.93	14⅛	Charlotte, NC	4.2	**C Clifford Cameron**
3,325	OTC	FBFW	4.66	1.20	26¾	Fort Worth, Tex	1.3	**Paul W Mason**
10,267	NYSE	FVB	1.31	0.50	6⅞	Falls Church, Va	2.8	**Thomas K Malone Jr**
4,188	NYSE	FWB	5.30	1.85	25	Milwaukee, Wisc	4.8	**Hal C Kuehl**
6,206	NYSE	FHR	–1.14	0.55	9⅜	Bedford Heights, Ohio	14.0	**Dominick D DiMatteo Jr**
7,007	OTC	FLAG	2.58	0.55	12⅝	Miami Beach, Fla	2.9	**Philip F Searle**
6,338	NYSE	FLM	2.61	0.93	17½	Oklahoma City, Okla	7.8	**Richard D Harrison**
2,867	OTC	FLIC	2.21	0.59	11⅞	Buffalo, NY	5.7	**Robert F Norris**
7,499	OTC	FNBF	2.15	0.58	12½	Jacksonville, Fla	2.9	**John H Manry Jr**
29,160	NYSE	FDP	2.07	1.41	14⅛	St Petersburg, Fla	3.9	**Andrew H Hines Jr**
40,819	NYSE	FPL	4.22	2.32	25	Miami, Fla	10.3	**Marshall McDonald**
23,612	NYSE	FLR	4.02	0.97	52⅝	Irvine, Cal	23.5	**J Robert Fluor**
32,139	NYSE	FMC	4.55	1.40	26	Chicago, Ill	46.2	**Robert H Malott**
7,358	PAC	QFFS	–28.68	none	2⅞	Ft Lauderdale, Fla	16.9	**Grant C Gentry**
120,178	NYSE	F	9.75	3.90	32	Dearborn, Mich	494.6	**Philip Caldwell**
14,761	NYSE	FOR	4.06	1.40	25¾	San Francisco, Cal	17.7	**Thomas E Drohan**
13,455	NYSE	FHP	4.45	1.23	45⅜	Green Bay, Wisc	3.6	**Paul J Schierl**
16,957	NYSE	FWC	2.86	0.67	26½	Livingston, NJ	16.4	**Frank A Lee**
31,479	NYSE	FT	3.23	0.78	43¾	New York, NY	3.9	**Paul W Douglas**
12,177	NYSE	FTR	7.28	2.30	27¾	Detroit, Mich	33.1	**Robert D Rowan**
12,753	NYSE	FQA	5.11	0.43	18½	Atlanta, Ga	19.4	**John B Fuqua**
13,447	NYSE	GAF	1.83	0.68	10⅛	New York, NY	15.3	**Jesse Werner**
4,162	NYSE	GSK	7.52	1.48	33¼	Minneapolis, Minn	21.9	**Wayne E Matschullat**
34,766	NYSE	GCI	3.75	1.67	47⅞	Rochester, NY	21.0	**Allen H Neuharth**
12,095	NYSE	GMT	5.53	2.00	36¾	Chicago, Ill	10.1	**James J Glasser**
21,366	OTC	GCOR	3.24	0.36	11⅞	Washington, DC	5.7	**John J Byrne**
15,553	NYSE	GAO	2.25	0.54	60½	Dallas, Tex	1.7	**William P Barnes**
26,603	NYSE	GD	6.85	1.20	60½	St Louis, Mo	81.6	**David S Lewis**
227,839	NYSE	GE	6.20	2.70	50⅝	Fairfield, Conn	405.0	**Reginald H Jones**
49,962	NYSE	GF	4.65	1.90	33⅝	White Plains, NY	50.0	**James L Ferguson**
8,747	NYSE	GRL	5.90	none	51	New York, NY	24.0	**Frank G Hickey**
50,315	NYSE	GIS	2.92	1.20	25	Minneapolis, Minn	64.2	**E Robert Kinney**
289,364	NYSE	GM	10.04	5.30	50	Detroit, Mich	852.7	**Thomas A Murphy**
61,264	NYSE	GPU	1.56	1.20	8⅝	Parsippany, NJ	11.2	**William G Kuhns**
10,899	OTC	GREI	12.29	2.00	97	Greenwich, Conn	1.3	**Harold J Hudson Jr**

ata adjusted for stock splits and stock dividends through May 12, 1980.
vailable.

WHERE THEY RANK: 1979							
Assets	Sales	Market Value	Net Profits	Company (fiscal year end)	Assets ($000)	Sales ($000)	Market Value of Common ($000)
■	367	230	344	**General Signal (Dec)**	971,381	1,342,774	896,152
25	28	33	24	**General Telephone & Electronics (Dec)**	18,405,965	9,957,817	4,169,361
415	232	411	357	**General Tire & Rubber (Nov)**	1,797,105	2,294,853	492,742
■	460	■	■	**Genesco (July)**	360,127	992,925	50,484
■	369	322	440	**Genuine Parts (Dec)**	475,444	1,337,468	651,152
152	74	56	66	**Georgia-Pacific (Dec)**	4,118,000	5,207,000	2,600,760
90	82	18	25	**Getty Oil (Dec)**	6,031,920	4,831,005	6,058,858
■	388	■	■	**Giant Food (Feb)**	307,400	1,242,620	86,301
155	■	■	■	**Gibraltar Financial Corp of Calif (Dec)**	4,041,477	361,339	157,151
479	266	260	273	**Gillette (Dec)**	1,527,748	1,984,722	795,760
144	■	■	■	**Girard (Dec)**	4,359,874	393,853	128,106
■	416	■	449	**[10]GK Technologies (Dec)**	684,687	1,140,813	276,810
160	■	■	■	**Golden West Financial (Dec)**	3,888,766	365,220	224,560
352	163	■	351	**B F Goodrich (Dec)**	2,082,029	2,988,078	322,517
110	38	216	197	**Goodyear Tire & Rubber (Dec)**	5,371,239	8,238,676	922,893
467	259	323	283	**Gould (Dec)**	1,613,063	2,029,008	649,907
169	73	79	107	**W R Grace (Dec)**	3,728,853	5,266,629	1,822,541
■	■	391	■	**W W Grainger (Dec)**	359,637	732,506	527,137
■	56	■	■	**Great Atlantic & Pacific Tea (Feb)**	1,272,434‡	6,684,179	214,694
■	407	398	319	**Great Northern Nekoosa (Dec)**	1,096,771	1,157,652	517,158
53	■	410	312	**Great Western Financial (Dec)**	9,453,989	878,354	493,592
408	85	331	240	**Greyhound (Dec)**	1,818,769	4,700,051	632,011
■	341	■	■	**Grumman (Dec)**	797,501	1,476,010	191,994
117	70	251	105	**Gulf & Western Industries (July)**	5,160,193	5,288,247	815,406
27	8	16	10	**Gulf Oil (Dec)**	17,265,000	23,910,000	6,753,641
296	■	428	341	**Gulf States Utilities (Dec)**	2,439,345	864,338	469,942
377	■	412	422	**Gulf United (Dec)**	1,930,935	530,058	491,406
158	44	26	51	**Halliburton (Dec)**	3,922,523	7,765,807	4,999,105
■	430	■	■	**Hammermill Paper (Dec)**	644,939	1,076,560	159,264
■	■	■	491	**Hanna Mining (Dec)**	565,524	408,913	329,522
74	■	■	■	**Harris Bankcorp (Dec)**	7,107,759	587,107	180,147
■	464	238	433	**Harris Corp (June)**	822,722	982,111	863,462
■	479	■	■	**Harsco (Dec)**	573,980	945,275	314,594
276	■	■	■	**Hartford National (Dec)**	2,590,627	226,414	42,315
464	207	226	274	**H J Heinz (Apr)**	1,624,074	2,470,883	906,957
102	■	■	■	**Walter E Heller International (Dec)**	5,566,491	633,760	269,010
■	■	390	■	**Helmerich & Payne (Sept)**	303,728	146,498	528,128
427	227	232	159	**Hercules (Dec)**	1,761,177	2,345,425	874,149
■	406	■	498	**Hershey Foods (Dec)**	607,199	1,161,295	348,665
■	378	330	410	**Heublein (June)**	971,918	1,303,392	634,002
388	225	41	120	**Hewlett-Packard (Oct)**	1,900,000	2,361,000	3,499,550
■	■	250	294	**Hilton Hotels (Dec)**	637,005	513,934	823,831
■	421	359	480	**Holiday Inns (Dec)**	1,227,352	1,112,645	576,882
■	■	357	446	**Homestake Mining (Dec)**	256,995	220,219	583,907
195	106	77	91	**Honeywell (Dec)**	3,339,600	4,209,500	1,850,648
■	353	■	■	**George A Hormel (Oct)**	319,779	1,414,016	164,503
■	■	236	485	**Hospital Corp of America (Dec)**	1,074,537	900,004	865,837

■ Not on 500 list.
‡Assets as of 11/24/79.

[10]Formerly General Cable.

SHARE DATA: 1979								
Shares Outstanding (000)	Where Traded	Ticker Symbol	Earnings Before Extraordinary Items	Dividends	Market Price (Dec. 31)	Corporate Headquarters	Number of Employees (000)	Chief Executive
23,818	NYSE	GSX	3.52	1.00	37⅝	Stamford, Conn	26.2	**Nathan R Owen**
147,588	NYSE	GTE	4.20	2.54	28¼	Stamford, Conn	226.8	**Theodore F Brophy**
23,652	NYSE	GY	3.44	1.46	20⅞	Akron, Ohio	42.2	**Michael G O'Neil**
12,621	NYSE	GCO	0.22	none	4	Nashville, Tenn	26.5	**John L Hanigan**
27,562	NYSE	GPC	2.24	0.84	23⅝	Atlanta, Ga	12.1	**Wilton D Looney**
98,607	NYSE	GP	3.12	1.13	26⅜	Portland, Ore	44.0	**Robert E Flowerree**
82,154	NYSE	GET	7.34	1.40	73¾	Los Angeles, Cal	14.6	**Harold E Berg**
4,862	ASE	GFS A	3.64	0.97	17¾	Washington, DC	12.5	**Israel Cohen**
13,969	NYSE	GFC	2.12	0.60	11¼	Beverly Hills, Cal	1.2	**Herbert J Young**
30,171	NYSE	GS	3.67	1.66	26⅜	Boston, Mass	33.9	**Colman M Mockler Jr**
5,176	OTC	GIRA	6.08	1.86	24¾	Bala Cynwyd, Pa	3.4	**William B Eagleson Jr**
11,474	NYSE	GK	4.75	1.15	24⅛	Greenwich, Conn	25.0	**Robert P Jensen**
14,035	NYSE	GDW	2.61	0.51	16	Oakland, Cal	1.1	**Herbert M Sandler**
16,434	NYSE	GR	4.89	1.44	19⅝	Akron, Ohio	42.2	**John D Ong**
71,681	NYSE	GT	2.02	1.30	12⅞	Akron, Ohio	150.3	**Charles J Pilliod Jr**
27,953	NYSE	GLD	3.78	1.66	23¼	Rolling Meadows, Ill	36.4	**William T Ylvisaker**
45,001	NYSE	GRA	5.02	1.98	40½	New York, NY	82.1	**J Peter Grace**
14,104	NYSE	GWW	3.41	0.88	37⅜	Skokie, Ill	6.0	**David W Grainger**
24,892	NYSE	GAP	–0.15	none	8⅝	Montvale, NJ	65.0	**Jonathan L Scott**
15,974	NYSE	GNN	5.65	1.45	32⅜	Stamford, Conn	12.5	**Robert Hellendale**
22,436	NYSE	GWF	4.15	0.84	22	Beverly Hills, Cal	2.2	**James F Montgomery**
43,966	NYSE	G	2.80	1.04	14⅜	Phoenix, Ariz	52.3	**Gerald H Trautman**
8,727	NYSE	GQ	2.06	1.20	22	Bethpage, NY	28.0	**John C Bierwirth**
55,095	NYSE	GW	3.70	0.59	14⅞	New York, NY	127.2	**Charles G Bluhdorn**
195,051	NYSE	GO	6.78	2.06	34⅝	Pittsburgh, Pa	57.6	**Jerry McAfee**
42,722	NYSE	GSU	1.74	1.36	11	Beaumont, Tex	4.1	**W Donham Crawford**
23,125	NYSE	GHC	2.48	0.94	21¼	Jacksonville, Fla	7.7	**E Grant Fitts**
58,813	NYSE	HAL	6.42	1.85	85	Dallas, Tex	112.1	**John P Harbin**
7,584	NYSE	HML	4.47	1.43	21	Erie, Pa	12.2	**Albert F Duval**
8,906	NYSE	HNM	6.14	1.85	37	Cleveland, Ohio	4.5	**Robert F Anderson**
6,798	NYSE	HBC	4.65	1.83	26½	Chicago, Ill	3.8	**Charles M Bliss**
26,265	NYSE	HRS	2.45	0.66	32⅞	Melbourne, Fla	19.4	**Joseph A Boyd**
10,067	NYSE	HSC	5.27	1.80	31¼	Wormleysburg, Pa	16.2	**Jeffrey J Burdge**
2,821	OTC	HNAT	3.29	1.30	15	Hartford, Conn	2.7	**Robert L Newell**
22,394	NYSE	HNZ	4.80	2.05	40½	Pittsburgh, Pa	41.1	**Anthony J F O'Reilly**
11,760	NYSE	HLR	3.40	1.15	22⅞	Chicago, Ill	4.6	**Franklin A Cole**
12,612	NYSE	HP	2.63	0.27	41⅞	Tulsa, Okla	1.2	**Walter H Helmerich III**
42,383	NYSE	HPC	3.89	1.08	20⅝	Wilmington, Del	24.4	**Alexander F Giacco**
14,159	NYSE	HSY	3.78	1.35	24⅝	Hershey, Pa	11.7	**William E C Dearden**
21,311	NYSE	HBL	3.19	1.52	29¾	Farmington, Conn	24.9	**Stuart D Watson**
59,189	NYSE	HWP	3.43	0.35	59⅛	Palo Alto, Cal	52.0	**John A Young**
26,050	NYSE	HLT	3.76	1.09	31⅝	Beverly Hills, Cal	31.0	**Barron Hilton**
32,049	NYSE	HIA	1.76	0.64	18	Memphis, Tenn	39.3	**Roy E Winegardner**
11,338	NYSE	HM	5.41	2.00	51½	San Francisco, Cal	2.4	**Harry M Conger**
22,230	NYSE	HON	10.95	2.40	83¼	Minneapolis, Minn	94.6	**Edson W Spencer**
9,606	ASE	HRL	3.19	0.74	17⅛	Austin, Minn	8.4	**Ira J Holton**
19,457	NYSE	HSP	3.05	0.48	44½	Nashville, Tenn	40.0	**Donald S MacNaughton**

ta adjusted for stock splits and stock dividends through May 12, 1980.
ailable

"It is not in my nature to give interviews."

The only private interview that Leonid Brezhnev ever gave to American journalists, he gave to TIME Magazine. "Given the importance of the relations between our two countries," he said, "and the solid reputation of your magazine, I decided to take advantage of your request to answer TIME's questions."

An apt demonstration of one of TIME's most extraordinary attributes: the ability, through such exclusive interviews as those with Soviet Party Chief Brezhnev and China's Vice Premier Deng, to present aspects of the news not available anywhere else.

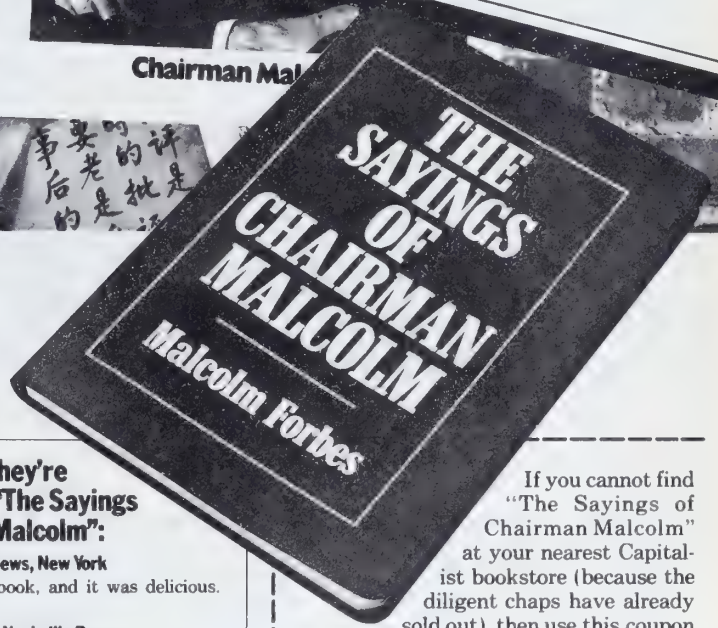
And it demonstrates, also, TIME's authority and leadership—as newspapers around the world quoted excerpts of the conversation; as statesmen and readers scanned the columns of TIME for new insights into the Soviet leader. Above all, it demonstrates TIME's unmatched editorial quality.

Another reason why TIME has earned more loyal readers, by far, around the world than any other single news source.

The most colorful coverage of the week.

©Time Inc. 1979. All Rights Reserved.

Priceless sayings for only $7.95



Here's a capital gift suggestion for you or your company's business list. Give a millionaire's sayings for only $7.95. It's the ideal gift for the capitalists of your choice—the new book by magazine Editor-in-Chief Malcolm Forbes: "The Sayings of Chairman Malcolm."

An answer to Chairman Mao's Little Red Book, this volume is bound in rich, lucre-green vinyl.

It's a collection of funny, provocative, and often outrageously punny one-liners. Quotable, even applicable, glints of 14-karat wisdom. Over a half a thousand of them—all negotiable at any soiree, tête-à-tête or business luncheon. Presented in this very gift-givable book subtitled: "The Capitalist's Handbook."

You can order these priceless sayings individually or in bulk through your nearest Capitalist bookstore or by completing the coupon.

Here's what they're saying about "The Sayings of Chairman Malcolm":

Ann Landers, Daily News, New York

"I just read your book, and it was delicious. I ate it."

Ken Powers, Sr., The Nashville Banner

"Whatever you're doing, stop! Pick up the telephone. Now, start calling every bookstore in town until you find one that has a copy of Chairman Malcolm's *Sayings*. How have we done so well for so long without it?

"This little book is witty, wise, serene, sometimes sober and at other times tipsy; but always great, terrific, and in all ways, well worth its price."

Barry Gray, Radio Station WMCA, New York

"I've read it, and I recommend it to you unconditionally. It is a terrific book, with a thousand things that you'll want to repeat, and memorize. . ."

John Weisman, Los Angeles Times

"It is unlikely, though possible, that students at the Wharton or Harvard Business Schools will wander through the quad with this little green book open, memorizing Forbes' capitalistic pearls. On the other hand maybe they should."

If you cannot find "The Sayings of Chairman Malcolm" at your nearest Capitalist bookstore (because the diligent chaps have already sold out), then use this coupon to order one or more for yourself or others. Send $7.95 in check or money order, plus 50¢ for postage and handling for each copy you order to Harper & Row, Mail Order Dept. 1235EE, 10 East 53rd St., New York, N.Y. 10022. Please add applicable sales tax.

Enclosed is my check or money order for $_____ covering _____ copies of "The Sayings of Chairman Malcolm."

Name _____

Address _____

City _____ State _____ Zip _____

Forbes: Capitalist Tool®

WHERE THEY RANK: 1979							
Assets	Sales	Market Value	Net Profits	Company (fiscal year end)	Assets ($000)	Sales ($000)	Market Value of Common ($000)
474	■	■	■	**Hospital Trust (Dec)**	1,541,377	141,795	41,000
79	69	245	174	**††Household Finance (Dec)**	6,728,600	5,310,700	839,151
165	282	179	171	**Houston Industries (Dec)**	3,834,697	1,854,159	1,047,102
454	290	111	205	**Houston Natural Gas (July)**	1,663,159	1,797,835	1,553,288
■	■	313	420	**Houston Oil & Minerals (Dec)**	945,639	351,594	663,822
■	■	378	■	**Howard Johnson (Dec)**	486,412	577,725	548,584
■	■	191	337	**Hughes Tool (Dec)**	981,683	804,561	997,932
■	489	365	■	**Humana (Aug)**	1,190,099	926,654	566,766
279	■	■	■	**Huntington Bancshares (Dec)**	2,553,241	235,357	92,790
196	■	■	■	**E F Hutton Group (Dec)**	3,315,842	750,267	141,786
■	■	■	432	**Hyster (Jan)**	443,949	683,289	270,327
179	124	■	281	**IC Industries (Dec)**	3,617,800	3,734,600	392,634
451	■	■	■	**Idaho First National Bank (Dec)**	1,668,664	152,339	129,073
■	■	■	447	**Ideal Basic Industries (Dec)**	671,461	435,253	307,586
332	■	368	315	**Illinois Power (Dec)**	2,214,652	751,822	563,958
83	■	■	381	**Imperial Corp of America (Dec)**	6,520,823	583,152	361,998
59	89	142	89	**INA (Dec)**	8,987,035	4,551,372	1,254,434
339	■	■	■	**Indiana National (Dec)**	2,130,411	211,358	55,620
203	■	■	■	**Industrial National (Dec)**	3,224,684	329,022	106,825
389	■	■	■	**Industrial Valley Bank & Trust (Dec)**	1,892,863	182,256	52,180
340	200	199	192	**Ingersoll-Rand (Dec)**	2,128,410	2,542,105	986,232
255	128	320	226	**Inland Steel (Dec)**	2,725,473	3,635,225	655,871
■	■	127	367	**Intel (Dec)**	500,093	662,996	1,396,710
■	260	374	278	**Interco (Feb)**	1,239,036	2,024,307	554,385
■	423	■	■	**Interlake (Dec)**	733,559	1,104,588	148,574
20	10	1	3	**International Business Machines (Dec)**	24,529,974	22,862,776	37,568,928
■	■	282	444	**International Flavors & Fragrances (Dec)**	387,807	409,299	718,766
113	37	150	52	**International Harvester (Oct)**	5,247,475	8,392,042	1,203,720
476	342	183	245	**International Minerals & Chemical (June)**	1,537,600	1,474,700	1,041,008
■	486	■	■	**International Multifoods (Feb)**	387,421	930,968	144,630
134	90	87	36	**International Paper (Dec)**	4,843,461	4,533,300	1,785,879
18	12	48	49	**††International Tel & Tel (Dec)**	26,178,202	21,996,023	2,952,390
249	204	138	138	**[11]InterNorth (Dec)**	2,785,998	2,499,202	1,301,216
■	103	■	■	**Iowa Beef Processors (Oct)**	416,789	4,216,370	227,245
30	377	■	408	**[12]Irving Bank (Dec)**	16,702,433	1,304,490	290,734
329	191	■	415	**IU International (Dec)**	2,229,494	2,619,056	360,406
247	■	319	295	**Jefferson-Pilot (Dec)**	2,790,174	752,716	658,080
■	121	■	■	**Jewel Companies (Jan)**	1,012,367	3,764,266	293,580
356	273	409	298	**Jim Walter (Aug)**	2,049,460	1,931,682	496,121
313	234	383	255	**Johns-Manville (Dec)**	2,324,380	2,283,330	538,325
234	105	27	56	**Johnson & Johnson (Dec)**	2,873,954	4,211,571	4,851,051
■	450	484	■	**Johnson Controls (Sept)**	702,797	1,024,448	408,753
■	■	496	■	**Joy Manufacturing (Sept)**	676,246	781,623	398,952
99	19	50	55	**K mart (Jan)**	5,642,439	12,858,585	2,917,379
222	166	261	98	**Kaiser Aluminum & Chemical (Dec)**	2,975,200	2,926,500	791,791
■	467	■	■	**Kaiser Steel (Dec)**	1,141,273	975,247	189,243
412	■	408	■	**††Kaneb Services (Dec)**	1,812,863	525,693	498,066

■ Not on 500 list.
††Figures include unconsolidated subsidiaries.
[11]Formerly Northern Natural Gas.
[12]Formerly Charter New York.

SHARE DATA: 1979								
Shares Outstanding (000)	Where Traded	Ticker Symbol	Earnings Before Extraordinary Items	Dividends	Market Price (Dec. 31)	Corporate Headquarters	Number of Employees (000)	Chief Executive
2,000	OTC	HTCO	4.96	2.12	20½	Providence, RI	1.8	**Henry S Woodbridge Jr**
46,298	NYSE	HFC	3.33	1.48	18⅛	Prospect Heights, Ill	77.0	**Gilbert R Ellis**
35,952	NYSE	HOU	4.84	2.36	29⅛	Houston, Tex	8.0	**Don D Jordan**
38,591	NYSE	HNG	3.57	1.05	40¼	Houston, Tex	11.6	**Robert R Herring**
29,179	ASE	HOI	2.07	0.80	22¾	Houston, Tex	1.2	**F Fox Benton Jr**
22,165	NYSE	HJ	1.55	0.44	24¾	Boston, Mass	27.6	**Howard B Johnson**
19,191	NYSE	HT	3.88	0.73	52	Houston, Tex	13.2	**James R Lesch**
17,992	NYSE	HUM	1.97	0.52	31⅝	Louisville, Ky	35.9	**David A Jones**
3,119	OTC	HBAN	6.79	1.67	29¾	Columbus, Ohio	2.9	**Arthur D Herrmann**
8,056	NYSE	EFH	4.53	0.62	17⅝	New York, NY	8.6	**Robert M Fomon**
6,024	OTC	HYST	10.48	2.63	44⅞	Portland, Ore	8.4	**William H Kilkenny**
15,864	NYSE	ICX	5.24	1.76	24¾	Chicago, Ill	65.0	**William B Johnson**
5,855	OTC	IDNB	3.25	0.80	22⅛	Boise, Ida	2.1	**Thomas C Frye**
13,301	NYSE	IDL	4.57	1.60	23⅛	Denver, Colo	4.1	**John A Love**
29,488	NYSE	IPC	2.70	2.28	19⅛	Decatur, Ill	3.9	**Wendell J Kelley**
14,196	NYSE	ICA	5.24	1.10	25½	San Diego, Cal	1.5	**G Kenneth Handley**
38,109	NYSE	INA	6.34	1.93	32⅞	Philadelphia, Pa	35.3	**Ralph S Saul**
4,944	OTC	INAT	2.30	0.50	11¼	Indianapolis, Ind	2.2	**Thomas W Binford**
6,061	NYSE	INB	3.92	1.44	17⅝	Providence, RI	3.4	**John J Cummings Jr**
2,609	OTC	IBKT	4.32	2.20	20	Jenkintown, Pa	1.9	**Joseph A Gallagher**
18,966	NYSE	IR	7.51	3.16	52	Woodcliff Lake, NJ	47.5	**William L Wearly**
20,739	NYSE	IAD	6.27	2.80	31⅝	Chicago, Ill	37.3	**Frederick G Jaicks**
20,692	OTC	INTC	3.59	none	67½	Santa Clara, Cal	14.3	**Gordon E Moore**
14,215	NYSE	ISS	7.35	2.30	39	St Louis, Mo	50.0	**William L Edwards Jr**
6,003	NYSE	IK	6.66	2.20	24¾	Oak Brook, Ill	13.2	**Reynold C MacDonald**
583,595	NYSE	IBM	5.16	3.44	64⅜	Armonk, NY	337.1	**Frank T Cary**
36,625	NYSE	IFF	1.68	0.74	19⅝	New York, NY	3.6	**Henry G Walter Jr**
30,766	NYSE	HR	12.01	2.35	39⅛	Chicago, Ill	162.1	**Archie R McCardell**
26,981	NYSE	IGL	4.48	1.93	38⅝	Northbrook, Ill	10.3	**Richard A Lenon**
8,035	NYSE	IMC	3.06	1.15	18	Minneapolis, Minn	8.0	**William G Phillips**
48,267	NYSE	IP	10.96	2.20	37	New York, NY	49.4	**Edwin A Gee**
115,780	NYSE	ITT	2.66	2.20	25½	New York, NY	368.0	**Rand V Araskog**
44,486	NYSE	INI	4.09	1.40	29¼	Omaha, Neb	10.0	**Sam F Segnar**
9,670	NYSE	IBP	4.28	0.52	23½	Dakota City, Neb	10.0	**J Fred Haigler**
8,551	NYSE	V	7.77	2.44	34	New York, NY	8.7	**Gordon T Wallis**
32,396	NYSE	IU	1.88	0.95	11⅛	Philadelphia, Pa	40.0	**John M Seabrook**
21,936	NYSE	JP	4.43	1.16	30	Greensboro, NC	6.2	**W Roger Soles**
11,184	NYSE	JWL	4.54	1.62	26¼	Chicago, Ill	33.4	**Weston R Christopherson**
16,134	NYSE	JWC	5.65	1.70	30¾	Tampa, Fla	25.2	**James W Walter**
22,314	NYSE	JM	4.13	1.89	24⅛	Denver, Colo	32.5	**John A McKinney**
61,212	NYSE	JNJ	5.76	2.00	79¼	New Brunswick, NJ	71.8	**James E Burke**
12,925	NYSE	JCI	3.58	1.13	31⅝	Milwaukee, Wisc	24.3	**Fred L Brengel**
13,027	NYSE	JOY	3.82	1.68	30⅝	Pittsburgh, Pa	12.7	**James W Wilcock**
122,837	NYSE	KM	2.84	0.81	23¾	Troy, Mich	243.0	**Bernard M Fauber**
41,132	NYSE	KLU	5.66	1.10	19¼	Oakland, Cal	26.8	**Cornell C Maier**
7,009	NYSE	KSC	6.79	1.13	27	Oakland, Cal	12.7	**Edgar F Kaiser Jr**
21,538	NYSE	KAB	2.17	0.73	23⅛	Houston, Tex	6.4	**James R Whatley**

ata adjusted for stock splits and stock dividends through May 12, 1980.

WHERE THEY RANK: 1979							
Assets	Sales	Market Value	Net Profits	Company (fiscal year end)	Assets ($000)	Sales ($000)	Market Value of Common ($000)
■	284	122	169	**Kellogg (Dec)**	1,049,800	1,846,600	1,442,597
328	387	■	345	**Kemper (Dec)**	2,241,901	1,246,674	358,091
250	213	180	227	**Kennecott Copper (Dec)**	2,784,935	2,433,637	1,044,509
312	186	92	176	**Kerr-McGee (Dec)**	2,339,165	2,683,469	1,753,167
373	■	■	■	**Key Banks (Dec)**	1,957,296	168,990	62,169
475	233	■	342	**Walter Kidde (Dec)**	1,541,254	2,284,146	348,234
345	241	207	69	**Kimberly-Clark (Dec)**	2,105,000	2,218,400	953,713
■	465	243	325	**Knight-Ridder Newspapers (Dec)**	742,373	979,919	839,878
■	286	281	330	**Koppers (Dec)**	1,138,119	1,828,268	720,846
283	59	133	137	**Kraft (Dec)**	2,523,300	6,432,900	1,334,087
424	36	393	334	**Kroger (Dec)**	1,776,111	9,029,315	524,628
■	372	■	431	**Lear Siegler (June)**	713,968	1,327,271	348,105
■	483	■	■	**Leaseway Transportation (Dec)**	785,686	937,221	265,300
■	248	115	133	**Levi Strauss (Nov)**	1,291,119	2,103,109	1,502,724
■	398	■	464	**Libbey-Owens-Ford (Dec)**	844,676	1,208,061	268,811
500	■	■	■	**Liberty National (Dec)**	1,442,391	120,287	41,976
376	■	■	451	**Liberty National Life Insurance (Dec)**	1,947,478	407,199	392,424
■	478	■	495	**Liggett Group (Dec)**	749,821	946,284	320,568
336	242	30	65	**Eli Lilly (Dec)**	2,179,132	2,205,764	4,356,193
207	■	■	■	**Lincoln First Banks (Dec)**	3,180,366	301,592	71,578
69	210	227	177	**Lincoln National (Dec)**	7,770,900	2,445,099	904,969
239	108	112	135	**Litton Industries (July)**	2,854,298	4,087,809	1,548,209
343	110	493	■	**Lockheed (Dec)**	2,112,900	4,057,600	405,893
62	118	279	143	**Loews (Dec)**	8,842,683	3,830,576	725,412
■	■	■	423	**Lone Star Industries (Dec)**	739,273	792,508	298,215
185	444	231	173	**Long Island Lighting (Dec)**	3,459,582	1,045,498	880,761
■	■	89	163	**Louisiana Land & Exploration (Dec)**	1,027,796	791,342	1,756,529
■	379	325	280	**Louisiana-Pacific (Dec)**	1,101,450	1,301,910	642,357
■	499	■	■	**Lowe's Companies (Jan)**	299,899	904,651	236,024
163	41	■	188	**LTV (Dec)**	3,864,757	7,996,809	207,520
■	■	168	317	**Lubrizol (Dec)**	519,942	741,518	1,095,609
■	65	269	297	**Lucky Stores (Jan)**	1,221,547	5,815,927	768,469
■	251	366	377	**R H Macy (July)**	1,197,281	2,058,048	566,532
■	316	■	■	**Malone & Hyde (June)**	254,199	1,615,838	218,689
7	116	184	112	**Manufacturers Hanover (Dec)**	47,675,446	3,846,622	1,034,688
139	■	■	■	**Manufacturers National (Dec)**	4,525,758	405,402	125,037
■	■	302	391	**MAPCO (Dec)**	875,946	857,912	689,429
146	57	47	74	**Marathon Oil (Dec)**	4,321,133	6,680,597	3,029,200
443	■	■	■	**Marine (Dec)**	1,716,172	151,686	50,409
34	354	■	■	**Marine Midland Banks (Dec)**	15,728,156	1,412,454	234,056
■	335	367	396	**Marriott (Dec)**	1,080,365	1,509,957	565,727
■	■	200	354	**Marsh & McLennan Companies (Dec)**	390,706	530,551	980,465
361	■	■	■	**Marshall & Ilsley (Dec)**	2,012,990	179,578	74,603
425	250	156	153	**Martin Marietta (Dec)**	1,773,577	2,060,843	1,155,711
168	■	■	■	**Maryland National (Dec)**	3,731,851	328,858	114,560
■	■	335	385	**Masco (Dec)**	754,604	726,430	626,204
344	164	299	257	**May Department Stores (Jan)**	2,106,936	2,977,190	695,304

■ Not on 500 list.

SHARE DATA: 1979								
Shares Outstanding (000)	Where Traded	Ticker Symbol	Earnings Before Extraordinary Items	Dividends	Market Price (Dec. 31)	Corporate Headquarters	Number of Employees (000)	Chief Executive
76,429	NYSE	K	2.13	1.29	18⅞	Battle Creek, Mich	20.8	**William E LaMothe**
12,401	OTC	KEMC	6.82	1.20	28⅞	Long Grove, Ill	10.6	**Joseph E Luecke**
33,159	NYSE	KN	3.93	1.05	31½	Stamford, Conn	36.2	**Thomas D Barrow**
25,877	NYSE	KMG	6.18	1.48	67¾	Oklahoma City, Okla	10.8	**Dean A McGee**
4,876	OTC	KEYB	3.03	1.20	12¾	Albany, NY	2.5	**Victor J Riley Jr**
9,775	NYSE	KDE	7.85	1.65	35⅝	Clifton, NJ	50.0	**Fred R Sullivan**
23,404	NYSE	KMB	13.43	2.81	40¾	Neenah, Wisc	30.8	**Darwin E Smith**
32,303	NYSE	KRN	2.69	0.65	26	Miami, Fla	15.0	**Alvah H Chapman Jr**
26,698	NYSE	KOP	3.27	1.25	27	Pittsburgh, Pa	21.1	**Fletcher L Byrom**
27,939	NYSE	KRA	6.71	3.00	47¾	Glenview, Ill	47.4	**John M Richman**
27,612	NYSE	KR	3.13	1.26	19	Cincinnati, Ohio	130.0	**Lyle Everingham**
15,135	NYSE	LSI	4.50	0.98	23	Santa Monica, Cal	25.1	**Robert T Campion**
11,857	NYSE	LTC	3.62	1.20	22⅜	Cleveland, Ohio	17.6	**Robert A Burgin**
41,312	NYSE	LVI	4.58	0.93	36⅜	San Francisco, Cal	44.7	**Peter E Haas**
11,085	NYSE	LOF	4.80	2.30	24¼	Toledo, Ohio	19.9	**Don T McKone**
1,696	OTC	LIBN	4.41	1.30	24¾	Oklahoma City, Okla	0.8	**John W McLean**
18,912	OTC	LNAT	3.19	1.05	20¾	Birmingham, Ala	4.8	**Frank P Samford Jr**
8,436	NYSE	LGT	6.23	2.50	38	Montvale, NJ	8.3	**Raymond J Mulligan**
72,907	NYSE	LLY	4.52	1.95	59¾	Indianapolis, Ind	26.5	**Richard D Wood**
3,217	OTC	LFBK	4.86	1.94	22¼	Rochester, NY	3.3	**Alexander D Hargrave**
20,685	NYSE	LNC	6.85	2.70	43¾	Fort Wayne, Ind	16.6	**Ian M Rolland**
36,644	NYSE	LIT	4.77	0.25	42¼	Beverly Hills, Cal	77.7	**Charles B Thornton**
11,765	NYSE	LK	2.16	none	34½	Burbank, Cal	66.5	**Roy A Anderson**
11,892	NYSE	LTR	15.87	1.20	61	New York, NY	29.4	**Laurence A Tisch**
10,418	NYSE	LCE	5.95	1.40	28⅝	Greenwich, Conn	7.8	**James E Stewart**
60,223	NYSE	LIL	2.41	1.74	14⅝	Mineola, NY	5.6	**Charles R Pierce**
37,979	NYSE	LLX	4.45	1.38	46¼	New Orleans, La	2.7	**John G Phillips**
29,736	NYSE	LPX	3.57	0.58	21⅝	Portland, Ore	17.0	**Harry A Merlo**
13,022	NYSE	LOW	1.92	0.48	18⅛	No Wilkesboro, NC	5.8	**Leonard G Herring**
25,940	NYSE	LTV	5.23	none	8	Dallas, Tex	68.1	**W Paul Thayer**
19,875	NYSE	LZ	4.66	1.60	55⅛	Wickliffe, Ohio	3.9	**Lester E Coleman**
49,182	NYSE	LKS	2.01	0.96	15⅝	Dublin, Cal	63.0	**S Donley Ritchey**
15,737	NYSE	MZ	4.85	1.17	36	New York, NY	44.0	**Donald B Smiley**
7,541	NYSE	MHI	2.88	1.00	29	Memphis, Tenn	6.7	**Joseph R Hyde III**
33,243	NYSE	MHC	6.42	2.28	31⅛	New York, NY	21.2	**John F McGillicuddy**
5,052	OTC	MNTL	6.46	2.10	24¾	Detroit, Mich	3.7	**Dean E Richardson**
18,824	NYSE	MDA	3.83	1.40	36⅝	Tulsa, Okla	3.7	**Willis H Thompson Jr**
60,584	NYSE	MRO	4.88	1.40	50	Findlay, Ohio	14.1	**Harold D Hoopman**
1,867	OTC	MCRP	5.97	1.60	27	Milwaukee, Wisc	2.0	**George R Slater**
12,483	NYSE	MM	3.18	0.80	18¾	Buffalo, NY	10.0	**Edward W Duffy**
32,098	NYSE	MHS	1.96	0.16	17⅝	Washington, DC	65.7	**J Willard Marriott Jr**
13,932	NYSE	MMC	5.90	3.20	70⅜	New York, NY	10.4	**John M Regan Jr**
3,430	OTC	MRIS	4.91	1.50	21¾	Milwaukee, Wisc	2.0	**John A Puelicher**
24,854	NYSE	ML	7.10	1.98	46½	Bethesda, Md	30.2	**J Donald Rauth**
7,160	OTC	MDNT	3.49	0.82	16	Baltimore, Md	4.5	**Robert D H Harvey**
24,557	NYSE	MAS	2.80	0.58	25½	Taylor, Mich	8.7	**Richard A Manoogian**
28,971	NYSE	MA	3.93	1.37	24	St Louis, Mo	71.2	**David C Farrell**

ata adjusted for stock splits and stock dividends through May 12, 1980.

WHERE THEY RANK: 1979							
Assets	Sales	Market Value	Net Profits	Company (fiscal year end)	Assets ($000)	Sales ($000)	Market Value of Common ($000)
■	357	■	■	**Oscar Mayer (Oct)**	485,004	1,396,691	305,422
324	362	139	204	**††MCA (Dec)**	2,277,224	1,353,699	1,278,679
197	156	254	313	**J Ray McDermott (Mar)**	3,300,942	3,144,564	808,050
308	276	93	136	**McDonald's (Dec)**	2,354,006	1,911,853	1,743,632
194	72	131	125	**McDonnell Douglas (Dec)**	3,380,604	5,278,531	1,368,933
380	371	468	386	**McGraw-Edison (Dec)**	1,924,386	1,330,869	426,830
■	■	294	374	**McGraw-Hill (Dec)**	743,147	879,886	699,784
461	197	324	202	**Mead (Dec)**	1,636,477	2,569,517	642,584
■	■	388	■	**Medtronic (Apr)**	205,670	224,067	530,817
38	411	381	306	**Mellon National (Dec)**	13,507,677	1,147,903	544,094
■	261	304	289	**Melville (Dec)**	773,357	2,022,770	688,133
145	■	■	■	**Mercantile Bancorporation (Dec)**	4,327,304	381,359	146,638
■	435	■	■	**Mercantile Stores (Jan)**	586,741	1,067,937	224,048
137	■	■	■	**Mercantile Texas (Dec)**	4,708,644	429,326	268,832
423	■	■	■	**Merchants National (Dec)**	1,781,795	176,882	53,633
274	220	23	50	**Merck (Dec)**	2,614,064	2,384,627	5,439,052
46	254	295	250	**Merrill Lynch (Dec)**	10,556,100	2,051,996	699,622
■	■	205	77	**Mesa Petroleum (Dec)**	1,145,303	252,407	963,990
■	■	301	442	**Metro-Goldwyn-Mayer (Aug)**	560,260	491,270	691,139
■	437	■	■	**Fred Meyer (Dec)**	406,737	1,060,203	195,151
■	■	340	376	**MGIC Investment (Dec)**	999,145	260,356	617,155
108	■	■	■	**Michigan National (Dec)**	5,399,222	510,695	177,774
84	287	157	142	**Middle South Utilities (Dec)**	6,503,068	1,823,059	1,141,717
233	■	■	■	**Midlantic Banks (Dec)**	2,880,466	248,442	78,416
138	68	19	23	**Minnesota Mining & Manufacturing (Dec)**	4,574,888	5,440,370	5,894,124
300	267	259	145	**Missouri Pacific (Dec)**	2,411,078	1,981,536	795,799
■	■	352	445	**Mitchell Energy & Development (Jan)**	786,923	457,549	594,628
16	4	7	5	**Mobil (Dec)**	27,505,756	44,720,908	11,672,595
105	61	68	64	**Monsanto (Dec)**	5,539,100	6,192,600	2,148,348
8	129	86	75	**J P Morgan (Dec)**	43,487,679	3,634,011	1,788,349
■	360	■	■	**Morrison-Knudsen (Dec)**	625,686	1,365,914	147,362
■	■	448	■	**Morton-Norwich (June)**	587,094	731,984	444,477
387	183	107	182	**Motorola (Dec)**	1,903,496	2,713,795	1,592,953
392	325	178	284	**Murphy Oil (Dec)**	1,877,419	1,568,929	1,056,210
■	224	289	292	**Nabisco (Dec)**	1,296,714	2,362,045	704,353
■	■	305	430	**Nalco Chemical (Dec)**	368,074	578,908	685,791
■	364	■	■	**††National Can (Dec)**	607,851	1,347,221	194,898
434	■	■	■	**National Central Financial (Dec)**	1,753,822	162,099	78,680
128	■	■	■	**National City (Dec)**	4,971,998	394,060	337,554
51	■	■	380	**National Detroit (Dec)**	9,506,400	812,279	359,605
452	296	229	213	**National Distillers & Chemical (Dec)**	1,664,507	1,772,584	900,249
■	■	■	360	**National Gypsum (Dec)**	767,905	853,614	363,484
■	■	433	■	**National Semiconductor (May)**	385,252	719,740	461,660
209	102	404	232	**National Steel (Dec)**	3,160,279	4,234,458	503,898
■	443	■	■	**National Tea (Dec)**	251,178	1,045,696	42,500
319	■	■	■	**Nationwide (Dec)**	2,303,675	606,328	169,488
■	469	296	271	**Natomas (Dec)**	1,390,471	967,192	698,896

■ Not on 500 list.
††Figures include unconsolidated subsidiaries.

SHARE DATA: 1979								
Shares Outstanding (000)	Where Traded	Ticker Symbol	Earnings Before Extraordinary Items	Dividends	Market Price (Dec. 31)	Corporate Headquarters	Number of Employees (000)	Chief Executive
14,631	NYSE	OMC	2.90	1.00	20⅞	Madison, Wisc	14.5	**Jerry M Hiegal**
23,462	NYSE	MCA	5.95	1.28	54½	Universal City, Cal	18.7	**Lew R Wasserman**
32,322	NYSE	MDE	1.94	1.10	25	New Orleans, La	60.4	**James E Cunningham**
40,199	NYSE	MCD	4.68	0.51	43⅜	Oak Brook, Ill	110.0	**Fred L Turner**
37,505	NYSE	MD	5.06	0.71	36½	St Louis, Mo	82.7	**Sanford N McDonnell**
16,338	NYSE	MGR	4.44	1.80	26⅛	Elgin, Ill	38.0	**Edward J Williams**
24,662	NYSE	MHP	3.10	1.28	28⅜	New York, NY	14.4	**Harold W McGraw Jr**
25,963	NYSE	MEA	5.42	1.65	24¾	Dayton, Ohio	25.0	**James W McSwiney**
7,693	NYSE	MDT	3.08	0.54	69	Minneapolis, Minn	4.1	**Dale R Olseth**
19,607	OTC	MNBT	4.92	1.84	27¾	Pittsburgh, Pa	6.7	**James H Higgins**
25,023	NYSE	MES	4.04	1.40	27½	Harrison, NY	48.6	**Francis C Rooney Jr**
5,895	OTC	MTRC	5.48	2.32	24⅞	St Louis, Mo	3.2	**Donald E Lasater**
5,896	NYSE	MST	7.25	1.25	38	New York, NY	19.6	**Leon F Winbigler**
10,491	NYSE	MTD	3.77	1.18	25⅝	Dallas, Tex	3.4	**Gene H Bishop**
2,167	OTC	MCHN	5.62	1.35	24¾	Indianapolis, Ind	1.5	**Otto N Frenzel III**
75,281	NYSE	MRK	5.06	1.90	72¼	Rahway, NJ	30.8	**John J Horan**
36,344	NYSE	MER	3.26	0.92	19¼	New York, NY	26.9	**Donald T Regan**
32,608	NYSE	MSA	8.85	0.20	29⅝	Amarillo, Tex	0.6	**Thomas B Pickens Jr**
32,146	NYSE	MGM	1.91	0.57	21½	Culver City, Cal	9.6	**Frank E Rosenfelt**
6,872	OTC	MEYR	3.29	0.48	28½	Portland, Ore	13.0	**Oran B Robertson**
22,442	NYSE	MGI	3.36	1.00	27½	Milwaukee, Wisc	1.6	**Max H Karl**
9,235	OTC	MNCO	4.70	1.11	19¼	Bloomfield Hills, Mich	6.0	**Stanford C Stoddard**
90,433	NYSE	MSU	2.13	1.52	12⅝	New Orleans, La	12.0	**Floyd W Lewis**
2,704	OTC	MIDL	7.80	2.16	29	West Orange, NJ	3.2	**Robert Van Buren**
117,296	NYSE	MMM	5.59	2.40	50¼	St Paul, Minn	87.7	**Lewis W Lehr**
15,490	NYSE	MIS	11.68	2.95	51⅜	St Louis, Mo	22.6	**Downing B Jenks**
36,174	ASE	MND	1.70	0.07	16½	Houston, Tex	2.0	**George P Mitchell**
212,229	NYSE	MOB	9.46	2.55	55	New York, NY	213.5	**Rawleigh Warner Jr**
36,031	NYSE	MTC	9.11	3.35	59⅝	St Louis, Mo	63.9	**John W Hanley**
38,667	NYSE	JPM	7.07	2.50	46¼	New York, NY	10.8	**Lewis T Preston**
4,122	NYSE	MRN	6.05	1.38	35¾	Boise, Ida	28.5	**William H McMurren**
13,469	NYSE	MNP	3.40	1.34	33	Chicago, Ill	10.4	**John W Simmons**
31,158	NYSE	MOT	4.96	1.20	51⅛	Schaumburg, Ill	75.0	**Robert W Galvin**
12,426	NYSE	MUR	8.32	1.00	85	El Dorado, Ark	4.4	**Charles H Murphy Jr**
32,199	NYSE	NAB	3.10	1.50	21⅞	East Hanover, NJ	38.0	**Robert M Schaeberle**
19,878	NYSE	NLC	3.18	1.36	34½	Oak Brook, Ill	4.1	**Orell T Collins**
8,428	NYSE	NAC	4.81	0.72	23⅛	Chicago, Ill	11.4	**Frank W Considine**
4,496	OTC	NCFC	3.59	1.41	17½	Lancaster, Pa	1.8	**Wilson D McElhinny**
7,896	OTC	NCTY	6.15	2.50	42¾	Cleveland, Ohio	3.3	**Claude M Blair**
12,190	NYSE	NBD	6.24	1.94	29½	Detroit, Mich	6.5	**Robert M Surdam**
31,313	NYSE	DR	4.04	1.80	28¾	New York, NY	15.7	**Drummond C Bell**
16,522	NYSE	NG	4.87	1.32	22	Dallas, Tex	13.5	**Robert E Scifres**
20,000	NYSE	NSM	1.71	none	23⅛	Santa Clara, Cal	32.3	**Charles E Sporck**
19,015	NYSE	NS	6.56	2.60	26½	Pittsburgh, Pa	36.5	**Howard M Love**
10,000	NYSE	NTY	0.80	none	4¼	Rosemont, Ill	12.0	**Valdyn W Schulz**
10,272	OTC	NWDCA	3.49	0.60	16½	Columbus, Ohio	1.8	**Dean W Jeffers**
23,104	NYSE	NOM	5.55	1.08	30¼	San Francisco, Cal	4.0	**Dorman L Commons**

ta adjusted for stock splits and stock dividends through May 12, 1980.

WHERE THEY RANK: 1979							
Assets	Sales	Market Value	Net Profits	Company (fiscal year end)	Assets ($000)	Sales ($000)	Market Value of Common ($000)
88	■	■	■	**NCNB (Dec)**	6,365,290	561,957	247,430
229	162	81	95	**NCR (Dec)**	2,918,435	3,002,640	1,815,389
384	■	424	384	**New England Electric System (Dec)**	1,911,719	889,250	475,400
295	■	■	■	**New England Merchants (Dec)**	2,451,088	241,740	54,735
437	■	479	328	**New York State Electric & Gas (Dec)**	1,737,523	588,211	411,516
■	■	192	149	**Newmont Mining (Dec)**	1,309,683	867,578	995,578
183	333	239	180	**Niagara Mohawk Power (Dec)**	3,528,937	1,516,503	857,894
445	326	349	329	**NICOR (Dec)**	1,710,350	1,561,720	598,768
471	288	159	335	**NL Industries (Dec)**	1,586,876	1,810,235	1,139,018
147	■	252	221	**NLT (Dec)**	4,253,221	791,679	814,369
■	■	315	■	**Noble Affiliates (Dec)**	341,212	205,288	659,837
244	347	241	126	**Norfolk & Western Railway System (Dec)**	2,819,126	1,449,167	850,037
■	217	■	356	**North American Philips (Dec)**	1,290,218	2,409,003	347,081
205	432	347	359	**Northeast Utilities (Dec)**	3,215,577	1,074,385	607,670
428	■	■	■	**Northern California Savings & Loan (Dec)**	1,759,658	166,814	79,459
314	401	419	375	**Northern Indiana Public Service (Dec)**	2,319,201	1,196,244	483,464
472	■	■	■	**Northern States Bancorp (Dec)**	1,583,987	148,402	17,228
272	442	306	246	**Northern States Power (Dec)**	2,619,858	1,048,176	685,592
111	■	■	■	**Northern Trust (Dec)**	5,357,545	489,407	159,600
■	320	356	320	**Northrop (Dec)**	990,377	1,582,477	584,510
478	376	350	389	**Northwest Airlines (Dec)**	1,528,921	1,310,558	597,805
39	412	317	279	**Northwest Bancorporation (Dec)**	12,415,823	1,145,178	659,226
■	420	■	■	**Northwest Energy (Dec)**	862,996	1,119,532	325,345
333	195	181	160	**Northwest Industries (Dec)**	2,196,700	2,579,900	1,042,728
449	■	■	■	**Northwestern Financial (Dec)**	1,688,049	164,450	51,004
■	418	382	361	**Norton (Dec)**	811,529	1,132,897	542,157
304	184	265	235	**Norton Simon (June)**	2,389,233	2,705,444	779,440
■	■	451	461	**NVF (Dec)**	1,249,971	644,888	438,091
104	29	75	30	**Occidental Petroleum (Dec)**	5,560,330	9,554,795	1,961,816
■	238	■	468	**Ogden (Dec)**	1,199,918	2,241,408	285,542
■	■	476	349	**Ohio Casualty (Dec)**	1,221,264	809,216	414,463
188	459	257	214	**Ohio Edison (Dec)**	3,446,454	994,585	797,444
457	■	494	■	**Oklahoma Gas & Electric (Dec)**	1,651,704	580,795	404,728
438	■	■	■	**Old Kent Financial (Dec)**	1,729,629	155,431	106,032
497	295	463	395	**Olin (Dec)**	1,461,073	1,778,102	431,208
■	■	445	418	**Overseas Shipholding Group (Dec)**	903,065	264,808	447,148
483	237	235	276	**Owens-Corning Fiberglas (Dec)**	1,501,612	2,245,164	868,965
230	133	360	220	**Owens-Illinois (Dec)**	2,910,208	3,528,829	576,194
■	279	437	248	**PACCAR (Dec)**	742,103	1,882,722	457,598
48	94	55	44	**Pacific Gas & Electric (Dec)**	10,310,763	4,372,220	2,613,444
301	243	380	298	**Pacific Lighting (Dec)**	2,403,359	2,200,182	545,993
■	■	362	■	**Pacific Lumber (Dec)**	229,892	258,434	571,758
211	■	307	262	**††Pacific Power & Light (Dec)**	3,128,787	803,760	683,982
265	■	■	■	**Paine Webber (Sept)**	2,671,922	506,837	48,919
264	206	467	379	**Pan American World Airways (Dec)**	2,676,720	2,484,709	427,128
271	269	162	194	**Panhandle Eastern Pipe Line (Dec)**	2,645,714	1,967,657	1,124,118
■	■	415	■	**Parker Drilling (Aug)**	387,213	304,804	485,137

■ Not on 500 list.
††Figures include unconsolidated subsidiaries.

SHARE DATA: 1979								
Shares Outstanding (000)	Where Traded	Ticker Symbol	Earnings Before Extraordinary Items	Dividends	Market Price (Dec. 31)	Corporate Headquarters	Number of Employees (000)	Chief Executive
18,160	NYSE	NCB	2.53	0.62	13⅝	Charlotte, NC	4.7	**Thomas I Storrs**
26,215	NYSE	NCR	8.78	1.45	69¼	Dayton, Ohio	67.0	**William S Anderson**
21,487	NYSE	NES	3.45	2.17	22⅛	Westborough, Mass	5.3	**Guy W Nichols**
2,670	OTC	NEBK	6.00	1.64	20½	Boston, Mass	2.2	**Roderick M MacDougall**
26,128	NYSE	NGE	2.83	1.72	15¾	Binghamton, NY	4.2	**Charles F Kennedy**
25,125	NYSE	NEM	7.05	1.50	39⅝	New York, NY	11.1	**Plato Malozemoff**
67,952	NYSE	NMK	2.00	1.44	12⅝	Syracuse, NY	9.6	**John G Haehl Jr**
18,076	NYSE	GAS	4.77	2.49	33⅛	Naperville, Ill	2.5	**Clarence J Gauthier**
33,015	NYSE	NL	0.00	1.20	34½	New York, NY	23.0	**Ray C Adam**
34,654	NYSE	NLT	3.85	1.12	23½	Nashville, Tenn	13.5	**Russell L Wagner**
21,171	OTC	NOBL	1.57	0 10	31¼	Ardmore, Okla	1.8	**Roy Butler**
31,194	NYSE	NFK	6.36	1.88	27¼	Roanoke, Va	24.4	**John P Fishwick**
12,975	NYSE	NPH	6.28	1.60	26¾	New York, NY	37.4	**Pieter C Vink**
66,594	NYSE	NU	1.22	1.06	9⅛	Berlin, Conn	7.3	**Lelan F Sillin Jr**
5,045	NYSE	NCX	3.40	0.70	15¾	Palo Alto, Cal	0.8	**Firmin A Gryp**
35,161	NYSE	NI	1.86	1.50	13¾	Hammond, Ind	6.0	**Edmund A Schroer**
2,849	OTC	NSBC	0.37	0.28	6⅛	Detroit, Mich	1.8	**Robert D Krestel**
30,641	NYSE	NSP	3.51	2.22	22⅜	Minneapolis, Minn	7.0	**Donald W McCarthy**
4,800	OTC	NTRS	5.52	2.05	33¼	Chicago, Ill	3.5	**E Norman Staub**
14,213	NYSE	NOC	6.35	1.80	41⅛	Los Angeles, Cal	28.8	**Thomas V Jones**
21,640	NYSE	NWA	3.35	0.80	27⅝	St Paul, Minn	12.8	**M Joseph Lapensky**
25,852	NYSE	NOB	4.13	1.28	25½	Minneapolis, Minn	12.6	**Chester C Lind**
10,495	NYSE	NWP	4.55	1.28	31	Salt Lake City, Utah	1.7	**John G McMillian**
29,899	NYSE	NWT	5.60	1.90	34⅞	Chicago, Ill	43.0	**Ben W Heineman**
5,165	OTC	NWFN	2.57	0.49	9⅞	Wilkesboro, NC	3.1	**Ben T Craig**
16,429	NYSE	NRT	4.89	1.39	33	Worcester, Mass	25.4	**Robert Cushman**
48,715	NYSE	NSI	2.52	0.95	16	New York, NY	37.0	**David J Mahoney**
69,461	NYSE	NVF	0.76	none	6⅜	Yorklyn, Del	9.9	**Victor Posner**
72,325	NYSE	OXY	7.30	1.25	27⅛	Los Angeles, Cal	34.2	**Armand Hammer**
8,337	NYSE	OG	6.58	1.90	34¼	New York, NY	32.0	**Ralph E Ablon**
11,675	OTC	OCAS	7.11	1.40	35½	Hamilton, Ohio	5.4	**John G Sloneker**
59,622	NYSE	OEC	1.80	1.76	13⅜	Akron, Ohio	7.2	**Justin T Rogers Jr**
30,260	NYSE	OGE	1.36	1.60	13⅜	Oklahoma City, Okla	3.5	**James G Harlow Jr**
6,627	OTC	OKEN	2.93	0.96	16	Grand Rapids, Mich	2.0	**Richard M Gillett**
23,956	NYSE	OLN	2.97	0.97	18	Stamford, Conn	21.7	**John M Henske**
17,198	NYSE	OSG	3.83	0.33	26	New York, NY	2.3	**Morton P Hyman**
30,490	NYSE	OCF	3.59	1.20	28½	Toledo, Ohio	26.3	**William W Boeschenstein**
28,454	NYSE	OI	4.56	1.26	20¼	Toledo, Ohio	63.8	**Edwin D Dodd**
8,245	OTC	PCAR	14.57	2.95	55½	Bellevue, Wash	13.4	**Charles M Pigott**
113,628	NYSE	PCG	3.55	2.31	23	San Francisco, Cal	26.9	**Frederick W Mielke**
24,539	NYSE	PLT	3.80	2.06	22¼	Los Angeles, Cal	9.3	**Paul A Miller**
12,037	NYSE	PL	4.06	2.25	47½	San Francisco, Cal	4.3	**Robert B Hoover**
37,999	NYSE	PPW	2.46	1.92	18	Portland, Ore	7.5	**Don C Frisbee**
5,361	NYSE	PWJ	2.24	0.44	9⅛	New York, NY	6.1	**James W Davant**
71,188	NYSE	PN	1.07	none	6	New York, NY	69.4	**William T Seawell**
18,466	NYSE	PEL	8.02	3.03	60⅞	Houston, Tex	7.0	**Richard L O'Shields**
12,894	NYSE	PKD	2.79	0.24	37⅝	Tulsa, Okla	4.5	**Robert L Parker**

ata adjusted for stock splits and stock dividends through May 12, 1980.

WHERE THEY RANK: 1979							
Assets	Sales	Market Value	Net Profits	Company (fiscal year end)	Assets ($000)	Sales ($000)	Market Value of Common ($000)
■	■	488	■	**Parker-Hannifin (June)**	562,544	846,438	408,044
109	427	384	475	**Penn Central (Dec)**	5,392,400	1,087,300	535,436
357	■	■	■	**PennCorp Financial (Dec)**	2,047,456	422,551	161,427
122	24	80	90	**J C Penney (Jan)**	5,077,000	11,274,000	1,817,072
166	■	267	141	**Pennsylvania Power & Light (Dec)**	3,782,228	860,498	772,072
■	429	■	■	**Pennwalt (Dec)**	793,422	1,079,303	272,733
323	255	65	92	**Pennzoil (Dec)**	2,292,195	2,051,693	2,228,666
219	211	163	203	**[13]Peoples Energy (Sept)**	3,002,799	2,441,556	1,123,841
488	■	■	■	**Peoples National Bank of Wash (Dec)**	1,488,461	145,529	61,636
231	75	63	82	**PepsiCo (Dec)**	2,887,578	5,090,567	2,262,481
■	■	249	■	**Perkin-Elmer (July)**	556,670	733,002	827,106
■	■	480	■	**[14]Petrie Stores (Jan)**	222,982	448,824	411,255
■	414	283	452	**Petrolane (Sept)**	595,155	1,143,938	711,246
216	179	51	94	**Pfizer (Dec)**	3,049,062	2,746,025	2,869,999
366	383	327	272	**Phelps Dodge (Dec)**	2,000,218	1,280,830	639,668
114	321	158	131	**Philadelphia Electric (Dec)**	5,241,260	1,578,505	1,139,641
94	■	■	■	**Philadelphia National (Dec)**	5,916,461	556,933	168,896
87	63	29	38	**Philip Morris (Dec)**	6,378,852	6,144,091	4,483,584
65	30	15	17	**Phillips Petroleum (Dec)**	8,518,709	9,502,775	7,412,544
414	245	292	343	**Pillsbury (May)**	1,804,483	2,165,982	701,435
■	■	338	421	**Pioneer (Dec)**	621,759	732,486	617,807
■	■	471	■	**Pioneer Hi-Bred International (Aug)**	278,917	327,511	426,422
■	448	449	427	**Pitney Bowes (Dec)**	902,265	1,024,949	443,392
103	■	■	■	**Pittsburgh National (Dec)**	5,563,019	471,514	258,683
■	313	206	493	**Pittston (Dec)**	1,188,737	1,647,830	960,733
■	■	377	■	**Pogo Producing (Dec)**	386,413	159,212	551,232
■	361	219	■	**Polaroid (Dec)**	1,244,262	1,361,454	919,940
407	■	485	■	**Portland General Electric (Dec)**	1,821,328	349,981	408,668
■	■	440	396	**Potlatch (Dec)**	976,934	809,059	454,920
330	■	422	339	**Potomac Electric Power (Dec)**	2,226,752	749,333	479,067
270	160	210	111	**PPG Industries (Dec)**	2,649,400	3,091,800	942,249
98	32	17	27	**Procter & Gamble (June)**	5,663,627	9,329,306	6,139,584
341	480	431	382	**Provident Life & Accident (Dec)**	2,125,266	944,579	462,668
289	■	■	■	**Provident National (Dec)**	2,488,313	237,286	100,565
363	490	460	481	**Public Service Co of Colorado (Dec)**	2,011,264	926,510	432,360
310	■	298	241	**Public Service Company of Indiana (Dec)**	2,342,088	628,538	696,435
■	■	■	487	**Public Service Company of New Mexico (Dec)**	1,186,446	244,370	284,737
89	216	136	97	**Public Service Electric & Gas (Dec)**	6,104,183	2,416,707	1,326,595
■	153	474	■	**Pullman (Dec)**	1,299,397	3,197,097	420,526
■	270	369	338	**Quaker Oats (June)**	1,131,500	1,966,300	562,676
140	■	■	■	**Rainier Bancorporation (Dec)**	4,495,758	466,265	238,656
334	87	151	229	**Ralston Purina (Sept)**	2,183,100	4,600,600	1,187,274
470	230	■	■	**Rapid-American (Jan)**	1,587,729	2,312,245	110,686
■	■	438	■	**Raychem (June)**	306,790	338,099	457,496
321	125	71	127	**Raytheon (Dec)**	2,296,537	3,727,930	2,102,862
92	48	101	78	**RCA (Dec)**	5,987,800	7,454,600	1,656,167
259	385	420	114	**Reliance Group (Dec)**	2,693,461	1,265,800	481,320

■ Not on 500 list.

[13]Formerly Peoples Gas.
[14]Latest 12 month results.

SHARE DATA: 1979								
Shares Outstanding (000)	Where Traded	Ticker Symbol	Earnings Before Extraordinary Items	Dividends	Market Price (Dec. 31)	Corporate Headquarters	Number of Employees (000)	Chief Executive
14,573	NYSE	PH	3.75	1.18	28	Cleveland, Ohio	20.2	**Patrick S Parker**
23,154	NYSE	PC	2.41	none	23⅛	New York, NY	32.9	**Richard Dicker**
18,189	NYSE	PCF	1.65	0.13	8⅞	Santa Monica, Cal	2.2	**Stanley Beyer**
69,553	NYSE	JCP	3.52	1.76	26⅛	New York, NY	206.0	**Donald V Seibert**
43,497	NYSE	PPL	3.32	2.01	17¼	Allentown, Pa	7.6	**Robert K Campbell**
8,590	NYSE	PSM	5.01	2.20	31¼	Philadelphia, Pa	13.3	**Edwin E Tuttle**
50,508	NYSE	PZL	4.69	1.50	44⅛	Houston, Tex	10.0	**J Hugh Liedtke**
26,838	NYSE	PGL	5.29	2.88	41⅞	Chicago, Ill	7.1	**Orval C Davis**
3,793	OTC	PEOP	3.74	0.84	16¼	Seattle, Wash	2.1	**Joshua Green III**
90,954	NYSE	PEP	2.85	1.11	24⅞	Purchase, NY	105.0	**Donald M Kendall**
19,693	NYSE	PKN	2.53	0.52	42	Norwalk, Conn	13.7	**Robert H Sorensen**
14,060	NYSE	PST	3.42	1.75	29¼	Secaucus, NJ	7.0	**Milton J Petrie**
49,912	NYSE	PTO	1.20	0.29	14¼	Long Beach, Cal	11.6	**Rudolph J Munzer**
73,121	NYSE	PFE	3.26	1.32	39¼	New York, NY	41.0	**Edmund T Pratt Jr**
20,718	NYSE	PD	5.06	1.20	30⅞	New York, NY	14.9	**George B Munroe**
82,883	NYSE	PE	1.86	1.80	13¾	Philadelphia, Pa	9.6	**James L Everett**
5,824	OTC	PHNA	6.77	2.40	29	Philadelphia, Pa	5.0	**G Morris Dorrance Jr**
124,544	NYSE	MO	4.08	1.19	36	New York, NY	65.0	**George Weissman**
154,428	NYSE	P	5.77	1.35	48	Bartlesville, Okla	30.3	**William F Martin**
20,041	NYSE	PSY	4.62	1.57	35	Minneapolis, Minn	58.1	**William H Spoor**
18,442	NYSE	PNA	3.57	1.01	33½	Amarillo, Tex	2.9	**K Bert Watson**
15,941	OTC	PHYB	2.47	0.78	26¾	Des Moines, Iowa	2.0	**Dr William L Brown**
13,856	NYSE	PBI	4.02	1.25	32	Stamford, Conn	25.2	**Fred T Allen**
6,196	OTC	PITS	7.30	2.50	41¾	Pittsburgh, Pa	3.5	**Merle E Gilliand**
37,492	NYSE	PCO	1.45	1.20	25⅝	Greenwich, Conn	15.6	**Nicholas T Camicia**
25,056	NYSE	PPP	1.66	0.20	22	Houston, Tex	0.1	**William C Liedtke**
32,855	NYSE	PRD	1.10	1.00	28	Cambridge, Mass	18.4	**William J McCune Jr**
31,436	NYSE	PGN	1.06	1.70	13	Portland, Ore	2.8	**Frank M Warren**
15,164	NYSE	PCH	4.69	1.20	30	San Francisco, Cal	10.2	**Richard B Madden**
41,658	NYSE	POM	1.73	1.36	11½	Washington, DC	5.2	**W Reid Thompson**
32,632	NYSE	PPG	6.78	1.88	28⅞	Pittsburgh, Pa	38.2	**L Stanton Williams**
82,688	NYSE	PG	6.99	3.30	74¼	Cincinnati, Ohio	59.0	**Edward G Harness**
9,844	OTC	PACC	7.52	1.43	47	Chattanooga, Tenn	3.1	**H Carey Hanlin**
4,147	OTC	PROV	6.23	2.10	24¼	Philadelphia, Pa	2.3	**Roger S Hillas**
32,326	NYSE	PSR	1.35	1.60	13⅜	Denver, Colo	6.3	**Richard F Walker**
29,794	NYSE	PIN	3.79	2.28	23⅜	Plainfield, Ind	4.4	**Hugh A Barker**
15,602	NYSE	PNM	2.97	1.88	18¼	Albuquerque, NM	2.3	**Jerry D Geist**
68,914	NYSE	PEG	2.85	2.20	19¼	Newark, NJ	13.2	**Robert I Smith**
11,103	NYSE	PU	4.34	1.65	37⅞	Chicago, Ill	41.0	**Clark P Lattin Jr**
19,830	NYSE	OAT	4.01	1.25	28⅜	Chicago, Ill	31.0	**Robert D Stuart Jr**
8,758	OTC	RBAN	4.23	1.08	27¼	Seattle, Wash	5.3	**G Robert Truex Jr**
107,934	NYSE	RAL	1.19	0.58	11	St Louis, Mo	73.6	**R Hal Dean**
5,089	NYSE	RPD	4.55	0.80	21¾	New York, NY	48.0	**Meshulam Riklis**
8,632	OTC	RAYC	3.51	0.26	53	Menlo Park, Cal	6.7	**Paul M Cook**
31,386	NYSE	RTN	6.30	1.60	67	Lexington, Mass	67.2	**Thomas L Phillips**
74,855	NYSE	RCA	3.72	1.55	22⅛	New York, NY	120.0	**Edgar H Griffiths**
8,022	NYSE	REL	22.37	1.70	60	New York, NY	9.3	**Saul P Steinberg**

ta adjusted for stock splits and stock dividends through May 12, 1980.
ailable

WHERE THEY RANK: 1979							
Assets	Sales	Market Value	Net Profits	Company (fiscal year end)	Assets ($000)	Sales ($000)	Market Value of Common ($000)
142	■	■	■	**Republic New York (Dec)**	4,408,405	401,148	127,294
45	474	418	390	**Republic of Texas (Dec)**	10,797,651	950,752	484,124
252	113	500	244	**Republic Steel (Dec)**	2,749,872	3,987,381	394,461
■	■	■	331	**Resorts International (Dec)**	405,276	373,247	381,300
■	488	■	■	**Revco D S (May)**	313,492	927,533	356,187
495	304	116	187	**Revlon (Dec)**	1,470,720	1,717,993	1,502,685
■	455	■	470	**Rexnord (Oct)**	698,662	1,010,225	326,897
86	51	43	33	**R J Reynolds Industries (Dec)**	6,421,900	7,133,100	3,443,078
228	145	342	154	**Reynolds Metals (Dec)**	2,923,076	3,305,155	615,973
■	426	358	434	**Richardson-Merrell (June)**	843,470	1,090,546	577,640
260	■	■	■	**Riggs National Bank of Washington DC (Dec)**	2,686,504	220,977	109,208
■	425	395	471	**Roadway Express (Dec)**	514,699	1,093,662	520,672
151	62	90	83	**Rockwell International (Sept)**	4,127,600	6,176,400	1,755,916
■	318	337	308	**Rohm & Haas (Dec)**	1,191,903	1,590,484	620,957
■	■	459	■	**Rowan Companies (Dec)**	341,611	188,614	432,666
477	344	499	435	**Ryder System (Dec)**	1,537,191	1,454,696	397,275
285	394	280	208	**Safeco (Dec)**	2,507,006	1,213,463	724,066
215	17	220	200	**Safeway Stores (Dec)**	3,100,768	13,717,861	917,325
■	410	258	369	**St Joe Minerals (Dec)**	1,108,600	1,148,105	797,259
153	294	240	186	**St Paul Companies (Dec)**	4,101,210	1,783,056	854,487
325	205	202	179	**St Regis Paper (Dec)**	2,260,845	2,498,436	974,201
422	■	482	402	**San Diego Gas & Electric (Dec)**	1,782,565	745,232	409,343
161	199	118	104	**Santa Fe Industries (Dec)**	3,883,100	2,555,600	1,486,212
■	■	277	■	**Santa Fe International (Dec)**	933,134	523,095	736,682
468	351	105	108	**Schering-Plough (Dec)**	1,592,699	1,434,022	1,611,060
143	131	5	22	**Schlumberger Limited (Dec)**	4,375,186	3,549,647	11,915,813
■	299	■	■	**SCM (June)**	979,599	1,753,723	219,903
403	277	285	209	**Scott Paper (Dec)**	1,829,579	1,908,107	709,724
■	481	■	■	**Scovill (Dec)**	572,721	941,602	163,460
192	244	464	223	**Seaboard Coast Line Industries (Dec)**	3,402,207	2,173,804	430,814
66	■	473	424	**Seafirst (Dec)**	8,400,753	805,856	421,904
■	■	193	326	**G D Searle (Dec)**	1,131,622	898,369	994,014
17	9	22	19	**††Sears Roebuck (Jan)**	26,390,635	23,660,173	5,716,134
19	212	266	168	**Security Pacific (Dec)**	24,923,382	2,438,219	778,247
■	■	348	■	**SEDCO (June)**	724,774	368,905	599,064
210	■	■	■	**Shawmut (Dec)**	3,141,993	278,952	61,710
33	16	12	14	**Shell Oil (Dec)**	16,127,016	14,431,211	8,374,518
■	400	■	■	**Sherwin-Williams (Dec)**	704,380	1,196,343	129,637
240	99	117	117	**Signal Companies (Dec)**	2,850,500	4,292,600	1,495,845
491	194	■	■	**Singer (Dec)**	1,482,400	2,598,100	151,265
■	■	287	490	**Smith International (Dec)**	553,924	545,272	707,823
■	363	40	96	**SmithKline (Dec)**	1,195,709	1,351,145	3,827,327
■	■	385	■	**Snap-On Tools (Dec)**	276,880	373,602	532,421
218	■	■	■	**Society (Dec)**	3,018,569	266,203	129,225
459	■	■	474	**South Carolina Electric & Gas (Dec)**	1,650,395	544,402	356,876
494	■	■	■	**South Carolina National (Dec)**	1,480,016	143,038	80,997
124	■	■	■	**Southeast Banking (Dec)**	5,028,371	438,264	181,111

■ Not on 500 list.
††Figures include unconsolidated subsidiaries.

SHARE DATA: 1979								
Shares Outstanding (000)	Where Traded	Ticker Symbol	Earnings Before Extraordinary Items	Dividends	Market Price (Dec. 31)	Corporate Headquarters	Number of Employees (000)	Chief Executive
3,285	ASE	RNB	8.34	1.88	38¾	New York, NY	1.2	**Walter H Weiner**
17,766	NYSE	RPT	4.08	1.00	27¼	Dallas, Tex	5.3	**James D Berry**
16,183	NYSE	RS	7.49	2.25	24⅜	Cleveland, Ohio	42.7	**William J De Lancey**
12,400	ASE	RT A	6.84	none	30¾	North Miami, Fla	7.5	**James M Crosby**
13,441	NYSE	RDS	2.51	0.72	26½	Twinsburg, Ohio	16.0	**Sidney Dworkin**
33,393	NYSE	REV	4.60	1.43	45	New York, NY	31.9	**Michel C Bergerac**
19,663	NYSE	REX	2.91	0.96	16⅝	Milwaukee, Wisc	18.7	**Robert V Krikorian**
101,267	NYSE	RJR	5.23	1.95	34	Winston-Salem, NC	79.5	**J Paul Sticht**
18,953	NYSE	RLM	9.25	2.00	32½	Richmond, Va	37.6	**David P Reynolds**
23,339	NYSE	RXM	2.66	1.13	24¾	Wilton, Conn	15.0	**John S Scott**
2,992	OTC	RIGS	7.26	2.80	36½	Washington, DC	2.1	**Vincent C Burke Jr**
19,648	OTC	ROAD	2.85	0.70	26½	Akron, Ohio	21.8	**William F Spitznagel**
36,298	NYSE	ROK	7.33	2.55	48⅜	Pittsburgh, Pa	114.5	**Robert Anderson**
12,903	NYSE	ROH	7.39	1.76	48⅛	Philadelphia, Pa	13.3	**Vincent L Gregory Jr**
10,271	NYSE	RDC	2.67	0.10	42⅛	Houston, Tex	1.3	**Charles R Palmer**
16,133	NYSE	RDR	3.84	0.94	24⅝	Miami, Fla	19.4	**Leslie O Barnes**
19,438	OTC	SAFC	7.01	1.50	37¼	Seattle, Wash	11.0	**Roland M Trafton**
26,116	NYSE	SA	5.49	2.60	35⅛	Oakland, Cal	148.9	**Peter A Magowan**
22,458	NYSE	SJO	3.46	1.38	35½	New York, NY	11.5	**John C Duncan**
20,969	OTC	STPL	7.30	1.80	40¾	St Paul, Minn	9.7	**Carl B Drake Jr**
32,205	NYSE	SRT	4.87	1.85	30¼	New York, NY	31.1	**William R Haselton**
31,188	NYSE	SDO	1.80	1.46	13⅛	San Diego, Cal	4.7	**Robert E Morris**
28,581	NYSE	SFF	8.08	2.35	52	Chicago, Ill	42.6	**John S Reed**
21,276	NYSE	SAF	0.78	0.72	34⅝	Orange, Cal	7.2	**Edfred L Shannon Jr**
53,039	NYSE	SGP	4.12	1.39	30⅜	Kenilworth, NJ	25.9	**Richard J Bennett**
127,102	NYSE	SLB	5.18	1.06	93¾	New York, NY	85.0	**Jean Riboud**
9,561	NYSE	SCM	4.98	1.20	23	New York, NY	28.6	**Paul H Elicker**
38,889	NYSE	SPP	3.52	0.90	18¼	Philadelphia, Pa	20.8	**Charles D Dickey Jr**
9,209	NYSE	SCO	3.46	1.43	17¾	Waterbury, Conn	23.3	**Malcolm Baldrige**
14,666	NYSE	SCI	9.06	2.20	29⅜	Jacksonville, Fla	37.3	**Prime Osborn III**
15,068	NYSE	SFC	4.28	1.08	28	Seattle, Wash	7.3	**William M Jenkins**
52,663	NYSE	SRL	1.66	0.52	18⅞	Skokie, Ill	18.3	**Donald H Rumsfeld**
317,563	NYSE	S	2.46	1.24	18	Chicago, Ill	424.0	**Edward R Telling**
27,671	NYSE	SPC	5.94	1.80	28⅛	Los Angeles, Cal	23.3	**Richard J Flamson III**
10,351	NYSE	SED	1.15	0.64	57⅞	Dallas, Tex	9.1	**B Gill Clements**
1,870	OTC	SHAS	7.92	2.20	33	Boston, Mass	3.5	**D Thomas Trigg**
154,369	NYSE	SUO	7.32	2.10	54¼	Houston, Tex	36.4	**John F Bookout**
4,869	NYSE	SHW	3.21	0.15	26⅝	Cleveland, Ohio	16.9	**John G Breen**
38,355	NYSE	SGN	5.28	0.90	39	Beverly Hills, Cal	53.0	**Forrest N Shumway**
16,577	NYSE	SMF	–5.90	0.50	9⅛	Stamford, Conn	77.0	**Joseph B Flavin**
10,148	NYSE	SII	5.30	1.07	69¾	Newport Beach, Cal	7.8	**Jerry W Neely**
60,872	NYSE	SKL	3.85	1.32	62⅞	Philadelphia, Pa	18.1	**Robert F Dee**
19,811	NYSE	SNA	2.16	0.76	26⅞	Kenosha, Wisc	6.2	**Norman E Lutz**
6,713	OTC	SOCI	3.98	1.20	19¼	Cleveland, Ohio	2.6	**J Maurice Struchen**
24,195	NYSE	SCG	1.90	1.67	14¾	Columbia, SC	3.2	**Virgil C Summer**
4,263	OTC	SCNC	4.07	1.02	19	Columbia, SC	2.9	**John H Lumpkin**
12,599	NYSE	STB	2.77	0.75	14⅜	Miami, Fla	5.0	**Charles J Zwick**

ata adjusted for stock splits and stock dividends through May 12, 1980.

WHERE THEY RANK: 1979							
Assets	Sales	Market Value	Net Profits	Company (fiscal year end)	Assets ($000)	Sales ($000)	Market Value of Common ($000)
397	■	■	■	**Southern Bancorp of Alabama (Dec)**	1,847,345	192,001	93,139
75	198	109	61	**Southern California Edison (Dec)**	6,977,237	2,563,974	1,589,928
47	158	96	110	**Southern Company (Dec)**	10,552,095	3,128,169	1,710,568
416	348	171	277	**Southern Natural Resources (Dec)**	1,793,850	1,446,286	1,090,206
466	■	472	399	**Southern New England Telephone (Dec)**	1,616,724	736,628	425,374
125	190	224	147	**Southern Pacific (Dec)**	5,025,148	2,626,400	909,394
232	343	248	175	**Southern Railway (Dec)**	2,886,863	1,467,270	828,198
■	115	316	412	**Southland (Dec)**	1,367,575	3,856,222	659,410
■	■	135	489	**Southland Royalty (Dec)**	555,656	256,611	1,333,138
182	■	■	■	**Southwest Bancshares (Dec)**	3,558,480	289,365	159,127
359	■	326	■	**Southwestern Life (Dec)**	2,016,100	389,093	639,919
170	107	78	106	**Sperry (Mar)**	3,724,025	4,179,319	1,824,969
■	■	373	388	**Square D (Dec)**	564,181	826,088	555,419
417	346	94	236	**Squibb (Dec)**	1,793,259	1,452,712	1,722,042
■	350	498	■	**A E Staley Manufacturing (Sept)**	641,705	1,434,906	397,719
■	193	273	332	**Standard Brands (Dec)**	1,385,381	2,613,274	747,751
26	7	10	6	**Standard Oil Calif (Dec)**	18,094,724	29,947,554	9,624,735
28	13	6	8	**Standard Oil Indiana (Dec)**	17,149,899	18,610,376	11,767,905
56	42	9	11	**Standard Oil Ohio (Dec)**	9,209,001	7,916,023	10,826,598
■	■	402	■	**Stanley Works (Dec)**	574,387	872,262	507,232
275	■	■	■	**State Street Boston (Dec)**	2,598,145	249,242	53,856
393	331	198	212	**Stauffer Chemical (Dec)**	1,876,234	1,526,160	987,368
■	336	149	267	**Sterling Drug (Dec)**	1,150,472	1,500,692	1,205,340
■	285	■	■	**J P Stevens (Oct)**	1,040,652	1,833,076	209,391
■	280	■	■	**Stop & Shop Companies (Jan)**	446,979	1,878,864	63,219
■	■	469	■	**Storage Technology (Dec)**	417,983	479,453	426,747
455	■	■	■	**Sumitomo Bank of California (Dec)**	1,662,174	148,691	45,532
236	■	■	■	**Sun Banks of Florida (Dec)**	2,872,149	235,803	138,936
71	27	34	21	**Sun Company (Dec)**	7,460,600	10,666,000	4,159,509
■	374	■	■	**Sunbeam (Mar)**	816,339	1,322,622	262,207
■	■	341	414	**Sundstrand (Dec)**	706,303	842,630	616,284
■	134	458	■	**Super Valu Stores (Feb)**	459,450‡	3,475,193	432,854
256	428	46	124	**Superior Oil (Dec)**	2,721,067	1,085,394	3,205,884
■	222	■	■	**Supermarkets General (Jan)**	527,501	2,372,574	130,496
■	■	481	■	**Supron Energy (Dec)**	162,420	47,287	410,025
■	457	■	■	**Sysco (June)**	231,141	1,002,294	140,637
■	392	297	346	**Tandy (June)**	609,589	1,215,483	698,844
■	■	■	486	**Tecumseh Products (Dec)**	349,989	880,603	339,140
■	■	169	372	**Tektronix (May)**	642,907	786,936	1,093,138
178	130	84	60	**††Teledyne (Dec)**	3,620,097	3,585,326	1,804,069
42	25	35	28	**Tenneco (Dec)**	11,630,531	11,209,451	4,081,654
367	■	■	■	**Tennessee Valley Bancorp (Dec)**	1,998,749	183,329	37,269
■	223	■	456	**Tesoro Petroleum (Sept)**	617,982	2,370,122	236,060
22	6	13	7	**Texaco (Dec)**	22,991,955	38,350,370	7,837,917
226	■	■	■	**Texas American Bancshares (Dec)**	2,929,314	258,686	148,088
55	■	328	353	**Texas Commerce Bancshares (Dec)**	9,259,500	790,958	636,372
201	165	99	144	**Texas Eastern (Dec)**	3,237,303	2,944,168	1,673,539

■ Not on 500 list.
‡Assets as of 9/8/79.
††Figures include unconsolidated subsidiaries.

SHARE DATA: 1979								
Shares Outstanding (000)	Where Traded	Ticker Symbol	Earnings Before Extraordinary Items	Dividends	Market Price (Dec. 31)	Corporate Headquarters	Number of Employees (000)	Chief Executive
7,305	OTC	SBNC	2.22	0.90	12¾	Birmingham, Ala	2.3	**Guy H Caffey Jr**
64,895	NYSE	SCE	4.56	2.54	24½	Rosemead, Cal	12.9	**Jack K Horton**
148,745	NYSE	SO	1.51	1.54	11½	Atlanta, Ga	26.5	**Alvin W Vogtle Jr**
20,189	NYSE	NRG	5.30	1.38	54	Birmingham, Ala	5.5	**John S Shaw Jr**
12,511	NYSE	SNG	5.24	3.50	34	New Haven, Conn	14.4	**Alfred W Van Sinderen**
26,945	NYSE	SX	6.67	2.45	33¾	San Francisco, Cal	56.3	**Benjamin F Biaggini**
15,337	NYSE	SR	10.39	3.20	54	Washington, DC	21.6	**L Stanley Crane**
22,936	NYSE	SLC	3.12	0.79	28¾	Dallas, Tex	44.3	**John P Thompson**
23,185	NYSE	SRO	2.37	0.58	57½	Fort Worth, Tex	0.4	**Jon Brumley**
6,462	NYSE	SWB	3.70	1.24	24⅝	Houston, Tex	2.6	**John T Cater**
15,146	OTC	SWLF	2.77	0.97	42¼	Dallas, Tex	1.0	**William H Seay**
36,138	NYSE	SY	6.35	1.44	50½	New York, NY	87.3	**J Paul Lyet**
23,889	NYSE	SQD	3.04	1.50	23¼	Palatine, Ill	21.2	**Mitchell P Kartalia**
45,617	NYSE	SQB	2.71	1.10	37¾	New York, NY	27.0	**Richard M Furlaud**
12,626	NYSE	STA	1.86	1.00	31½	Decatur, Ill	4.2	**Donald E Nordlund**
28,217	NYSE	SB	3.04	1.42	26½	New York, NY	23.6	**F Ross Johnson**
170,727	NYSE	SD	10.44	2.90	56⅜	San Francisco, Cal	39.7	**Harold J Haynes**
298,390	NYSE	SN	5.12	1.50	39½	Chicago, Ill	52.3	**John E Swearingen**
122,681	NYSE	SOH	9.83	1.22	88¼	Cleveland, Ohio	22.1	**Alton W Whitehouse Jr**
12,113	NYSE	SWK	4.26	1.16	41⅞	New Britain, Conn	17.5	**Donald W Davis**
2,176	OTC	STBK	6.78	1.70	24¾	Boston, Mass	3.1	**William S Edgerly**
43,883	NYSE	STF	3.10	1.08	22½	Westport, Conn	13.8	**H Barclay Morley**
60,267	NYSE	STY	1.85	0.82	20	New York, NY	27.0	**Dr W Clarke Wescoe**
14,196	NYSE	STN	3.36	1.07	14¾	New York, NY	43.9	**Whitney Stevens**
4,046	NYSE	SHP	3.70	1.15	15⅝	Boston, Mass	27.0	**Avram J Goldberg**
24,561	NYSE	STK	1.58	none	17⅜	Louisville, Colo	7.4	**Jesse I Aweida**
3,061	OTC	SUMI	3.20	1.06	14⅞	San Francisco, Cal	1.6	**Nimei Akamatsu**
9,924	OTC	SNBK	2.02	0.74	14	Orlando, Fla	4.5	**Richard F Livingston**
119,054	NYSE	SUN	5.89	1.48	34⅞	Radnor, Pa	40.1	**Theodore A Burtis**
14,877	NYSE	SMB	3.22	1.45	17⅝	Chicago, Ill	28.0	**Robert P Gwinn**
16,218	NYSE	SNS	4.03	1.05	38	Rockford, Ill	15.4	**Evans W Erikson**
18,130	NYSE	SVU	2.50	0.60	23⅞	Hopkins, Minn	13.5	**Jack J Crocker**
24,287	NYSE	SOC	9.52	0.60	132	Houston, Tex	5.1	**Howard B Keck**
8,156	NYSE	SGL	2.67	0.45	16	Woodbridge, NJ	28.0	**Herbert Brody**
9,240	ASE	SUE	1.65	0.21	44⅜	Dallas, Tex	0.1	**Alvin M Wiederkehr**
6,216	ASE	SYY	2.78	0.39	22⅝	Houston, Tex	5.2	**John F Baugh**
22,363	NYSE	TAN	3.23	none	31¼	Fort Worth, Tex	20.0	**Phil R North**
5,470	OTC	TECU	10.04	5.50	62	Tecumseh, Mich	10.8	**Kenneth G Herrick**
18,257	NYSE	TEK	4.28	0.69	59⅞	Beaverton, Ore	21.3	**Earl Wantland**
16,829	NYSE	TDY	20.56	none	107¼	Los Angeles, Cal	47.8	**Henry E Singleton**
105,333	NYSE	TGT	5.30	2.25	38¾	Houston, Tex	107.0	**James L Ketelsen**
3,923	OTC	TVBC	1.72	0.80	9½	Nashville, Tenn	2.0	**William F Earthman**
12,343	NYSE	TSO	4.03	none	19⅛	San Antonio, Tex	3.3	**Robert V West Jr**
271,443	NYSE	TX	6.48	2.12	28⅞	White Plains, NY	65.8	**Maurice F Granville**
5,751	OTC	TABS	4.27	1.08	25¾	Fort Worth, Tex	2.2	**Lewis H Bond**
14,463	NYSE	TCB	5.70	1.40	44	Houston, Tex	5.4	**Ben F Love**
25,166	NYSE	TET	7.18	2.50	66½	Houston, Tex	5.3	**George F Kirby**

ta adjusted for stock splits and stock dividends through May 12, 1980.
ailable.

WHERE THEY RANK: 1979							
Assets	Sales	Market Value	Net Profits	Company (fiscal year end)	Assets ($000)	Sales ($000)	Market Value of Common ($000)
■	308	370	364	**Texas Gas Transmission (Dec)**	1,340,503	1,686,560	562,529
385	151	73	158	**Texas Instruments (Dec)**	1,908,175	3,224,126	2,008,688
■	■	137	305	**Texas Oil & Gas (Aug)**	1,163,198	897,462	1,323,000
95	298	110	113	**Texas Utilities (Dec)**	5,821,933	1,756,289	1,561,734
460	■	155	210	**Texasgulf (Dec)**	1,648,081	789,256	1,155,868
353	138	233	162	**Textron (Dec)**	2,079,155	3,392,974	871,773
406	■	■	■	**Third National (Dec)**	1,822,975	163,478	51,299
372	493	■	■	**Tiger International (Dec)**	1,965,318	920,273	270,712
346	203	176	199	**Time Inc (Dec)**	2,104,079	2,504,060	1,062,198
■	314	144	196	**Times Mirror (Dec)**	1,349,708	1,638,535	1,238,883
■	382	363	285	**Timken (Dec)**	942,912	1,282,069	571,404
496	■	■	460	**Toledo Edison (Dec)**	1,467,512	365,121	313,460
■	■	495	■	**Tom Brown (Mar)**	108,211	43,088	401,693
■	274	435	362	**Tosco (Dec)**	593,212	1,922,237	459,908
419	492	465	463	**Trans Union (Dec)**	1,790,790	922,552	429,592
245	96	■	■	**Trans World (Dec)**	2,806,807	4,334,046	260,228
68	111	164	93	**Transamerica (Dec)**	7,983,535	4,044,647	1,110,678
253	330	189	405	**Transco Companies (Dec)**	2,744,865	1,528,108	1,007,298
394	■	■	■	**TRANSOHIO Financial (Dec)**	1,874,081	153,561	45,754
24	43	104	47	**Travelers (Dec)**	19,159,864	7,888,901	1,613,946
237	■	■	■	**Trust Company of Georgia (Dec)**	2,856,208	273,506	135,988
273	88	161	130	**TRW (Dec)**	2,619,856	4,560,303	1,136,361
■	■	■	497	**[15]Tucson Electric Power (Dec)**	970,010	272,549	313,403
■	345	■	■	**Turner Construction (Dec)**	262,201	1,454,374	29,493
■	■	■	469	**Twentieth Century-Fox (Dec)**	633,043	657,999	340,736
164	117	314	■	**UAL (Dec)**	3,862,449	3,831,523	660,398
■	359	186	190	**Union Camp (Dec)**	1,439,587	1,388,963	1,020,180
63	34	53	32	**Union Carbide (Dec)**	8,802,600	9,176,500	2,780,652
487	■	■	■	**Union Commerce (Dec)**	1,491,923	143,781	40,635
208	477	288	251	**Union Electric (Dec)**	3,168,998	946,797	705,564
91	46	38	42	**Union Oil Company of California (Dec)**	6,013,149	7,567,698	3,877,319
121	112	42	48	**Union Pacific (Dec)**	5,086,883	3,989,474	3,451,455
450	196	■	■	**Uniroyal (Dec)**	1,668,934	2,574,588	112,910
364	■	■	■	**United Bank Corp of New York (Dec)**	2,006,829	162,127	125,681
306	■	■	■	**United Banks of Colorado (Dec)**	2,370,016	228,042	121,480
■	135	■	■	**United Brands (June)**	1,217,404	3,470,222	119,592
448	157	255	266	**United Energy Resources (Dec)**	1,692,981	3,133,654	800,121
281	■	■	■	**United Jersey Banks (Dec)**	2,525,328	204,216	56,948
433	■	■	■	**United Missouri Bancshares (Dec)**	1,754,977	128,906	71,047
141	■	■	■	**U S Bancorp (Dec)**	4,431,388	425,854	333,976
171	247	174	102	**U S Fidelity & Guaranty (Dec)**	3,679,842	2,136,231	1,069,877
■	332	403	237	**United States Gypsum (Dec)**	1,047,511	1,525,379	505,260
■	484	■	■	**U S Home (Dec)**	640,032	935,329	158,595
■	384	■	■	**U S Industries (Dec)**	871,876	1,273,848	213,564
44	18	113	■	**United States Steel (Dec)**	11,029,900	12,929,100	1,518,230
370	■	■	■	**United Stated Trust (Dec)**	1,970,951	196,476	59,980
85	35	82	67	**United Technologies (Dec)**	6,426,123	9,053,358	1,810,988
162	292	132	140	**United Telecommunications (Dec)**	3,872,977	1,792,078	1,336,364

■ Not on 500 list.

[15]Formerly Tucson Gas & Electric

SHARE DATA: 1979								
Shares Outstanding (000)	Where Traded	Ticker Symbol	Earnings Before Extraordinary Items	Dividends	Market Price (Dec. 31)	Corporate Headquarters	Number of Employees (000)	Chief Executive
20,549	NYSE	TXG	3.74	1.39	27⅜	Owensboro, Ky	11.7	**Dennis R Hendrix**
22,826	NYSE	TXN	7.58	2.00	88	Dallas, Tex	85.8	**Mark Shepherd Jr**
43,200	NYSE	TXO	2.25	0.21	30⅝	Dallas, Tex	2.2	**William L Hutchison**
87,985	NYSE	TXU	2.45	1.61	17¼	Dallas, Tex	12.6	**T Louis Austin Jr**
31,886	NYSE	TG	4.05	1.20	36¼	Stamford, Conn	5.9	**Charles F Fogarty**
33,053	NYSE	TXT	4.51	1.75	26⅜	Providence, RI	64.0	**Robert P Straetz**
2,386	OTC	TDAT	4.60	1.00	21½	Nashville, Tenn	2.0	**Charles J Kane**
14,248	NYSE	TGR	3.03	0.75	19	Los Angeles, Cal	7.9	**Wayne M Hoffman**
22,540	NYSE	TL	5.15	1.62	47⅛	New York, NY	26.0	**Andrew Heiskell**
33,942	NYSE	TMC	4.31	1.20	36½	Los Angeles, Cal	24.3	**Franklin D Murphy**
11,204	NYSE	TKR	9.14	3.25	51	Canton, Ohio	23.8	**Joseph F Toot Jr**
17,912	NYSE	TED	2.65	2.20	17½	Toledo, Ohio	2.3	**John P Williamson**
11,902	OTC	TMBR	0.01	none	33¾	Midland, Tex	0.7	**Thomas C Brown**
20,670	NYSE	TOS	3.84	none	22¼	Los Angeles, Cal	2.7	**Morton M Winston**
12,407	NYSE	TU	4.81	2.24	34⅝	Lincolnshire, Ill	13.9	**Jerome W Van Gorkom**
16,014	NYSE	TWA	–0.41	none	16¼	New York, NY	96.2	**L Edwin Smart**
65,334	NYSE	TA	3.66	1.03	17	San Francisco, Cal	29.0	**John R Beckett**
23,223	NYSE	E	2.96	1.21	43⅜	Houston, Tex	2.3	**William J Bowen**
3,735	NYSE	TFC	3.43	0.40	12¼	Cleveland, Ohio	0.7	**Warner B Bishop**
42,333	NYSE	TIC	9.03	2.08	38⅛	Hartford, Conn	29.3	**Morrison H Beach**
4,945	OTC	TRGA	5.43	1.45	27½	Atlanta, Ga	3.7	**Robert Strickland**
29,612	NYSE	TRW	6.07	1.95	38⅜	Cleveland, Ohio	97.9	**Ruben F Mettler**
21,614	NYSE	TEP	2.17	1.42	14½	Tucson, Ariz	1.1	**Theodore M Welp**
1,044	ASE	TUR	5 01	1.95	28¼	New York, NY	1.8	**Walter B Shaw**
7,833	NYSE	TF	6.92	2.40	43½	Los Angeles, Cal	6.7	**Dennis C Stanfill**
29,515	NYSE	UAL	–2.50	1.00	22⅜	Elk Grove Township, Ill	74.0	**Richard J Ferris**
24,290	NYSE	UCC	6.22	2.45	42	Wayne, NJ	16.4	**Alexander Calder Jr**
66,206	NYSE	UK	8.47	2.90	42	New York, NY	115.8	**William S Sneath**
3,780	NYSE	UCM	–2.62	0.20	10¼	Cleveland, Ohio	1.4	**Lyman H Treadway III**
58,797	NYSE	UEP	1.73	1.44	12	St Louis, Mo	6.8	**Charles J Dougherty**
86,644	NYSE	UCL	5.76	1.28	44¾	Los Angeles, Cal	17.0	**Fred L Hartley**
47,771	NYSE	UNP	8.02	2.30	72¼	New York, NY	32.9	**James H Evans**
26,567	NYSE	R	–4.54	none	4¼	Middlebury, Conn	42.9•	**Joseph P Flannery**
6,703	OTC	UBNY	3.55	1.67	18¾	Albany, NY	2.2	**Peter D Kiernan**
4,171	OTC	UBKS	4.73	1.56	29⅛	Denver, Colo	2.8	**N Berne Hart**
10,997	NYSE	UB	1.72	0.20	10⅞	New York, NY	52.0	**Seymour Milstein**
25,758	NYSE	UER	4.55	1.19	31⅛	Houston, Tex	3.1	**J Hugh Roff Jr**
5,489	NYSE	UJB	2.40	1.04	10⅜	Princeton, NJ	2.7	**Richard L Wines**
3,893	OTC	UMSB	3.78	0.89	18¼	Kansas City, Mo	1.7	**R Crosby Kemper**
14,267	OTC	USBC	3.65	0 84	23½	Portland, Ore	5.4	**John A Elorriaga**
27,789	NYSE	FG	8.27	2.30	38½	Baltimore, Md	8.6	**Williford Gragg**
16,040	NYSE	USG	7.59	2.20	31½	Chicago, Ill	20.3	**Graham J Morgan**
10,573	NYSE	UH	3.79	0.52	15	Houston, Tex	3.1	**Guy R Odom**
24,761	NYSE	USI	1.85	0.67	8⅝	New York, NY	22.0	**I John Billera**
86,756	NYSE	X	–4.46	1.60	17½	Pittsburgh, Pa	171.7	**David M Roderick**
2,999	OTC	USTC	2.44	1 90	20	New York,NY	1.5	**Tom Killefer**
42,116	NYSE	UTX	6.49	2.20	43	Hartford, Conn	197.7	**Harry J Gray**
67,664	NYSE	UT	2.63	1.48	19¾	Westwood, Kan	29.6	**Paul H Henson**

ıta adjusted for stock splits and stock dividends through May 12, 1980.

WHERE THEY RANK: 1979							
Assets	Sales	Market Value	Net Profits	Company (fiscal year end)	Assets ($000)	Sales ($000)	Market Value of Common ($000)
204	■	■	■	**United Virginia Bankshares (Dec)**	3,215,717	310,871	135,997
■	466	■	■	**Universal Leaf Tobacco (June)**	215,337	978,174	165,129
■	334	126	191	**Upjohn (Dec)**	1,403,734	1,513,744	1,406,774
202	■	400	322	**USLIFE (Dec)**	3,227,899	772,043	515,499
374	■	351	387	**Utah Power & Light (Dec)**	1,954,501	521,789	595,721
■	375	■	■	**Valero Energy (Dec)**	649,242	1,321,406	261,825
115	■	■	■	**Valley National Bank of Arizona (Dec)**	5,199,427	476,952	318,339
93	305	201	128	**Virginia Electric & Power (Dec)**	5,960,584	1,703,309	975,177
284	■	■	■	**Virginia National Bankshares (Dec)**	2,520,965	252,604	95,599
■	■	■	425	**Vulcan Materials (Dec)**	542,896	747,745	374,959
120	■	■	■	**Wachovia (Dec)**	5,096,527	436,674	232,980
■	380	392	■	**Wal-Mart Stores (Jan)**	457,879	1,294,273	525,420
■	424	■	■	**Waldbaum (Dec)**	186,759	1,103,443	30,147
■	366	■	■	**Walgreen (Aug)**	402,350	1,344,542	222,443
■	■	253	■	**Wang Laboratories (June)**	304,224	321,301	810,784
473	312	194	122	**Warner Communications (Dec)**	1,545,767	1,648,027	992,791
235	152	108	239	**Warner-Lambert (Dec)**	2,873,657	3,217,208	1,592,380
269	476	■	■	**Washington National (Dec)**	2,649,529	946,881	169,295
■	■	394	■	**Waste Management (Dec)**	407,233	381,522	520,709
23	262	344	238	**Wells Fargo (Dec)**	20,593,124	2,017,583	612,804
■	453	■	■	**West Point-Pepperell (Aug)**	591,879	1,012,560	161,525
■	485	■	■	**Western Air Lines (Dec)**	821,440	932,119	135,186
15	185	154	118	**Western Bancorporation (Dec)**	29,687,134	2,689,602	1,156,796
458	■	■	■	**Western Financial (Dec)**	1,651,540	150,128	52,241
432	■	■	■	**Western Union (Dec)**	1,755,580	718,472	338,561
77	49	95	63	**Westinghouse Electric (Dec)**	6,821,500	7,332,000	1,710,806
■	391	397	366	**Westvaco (Oct)**	1,043,354	1,224,159	517,226
■	438	■	■	**Wetterau (Mar)**	199,152	1,058,967	85,444
129	93	37	37	**Weyerhaeuser (Dec)**	4,957,945	4,422,653	3,982,180
■	475	■	■	**Wheelabrator-Frye (Dec)**	650,224	946,923	350,779
■	389	■	■	**Wheeling-Pittsburgh Steel (Dec)**	846,645	1,242,303	65,829
■	235	310	270	**Whirlpool (Dec)**	1,037,068	2,261,207	678,750
■	263	■	436	**White Consolidated Industries (Dec)**	1,161,105	2,010,114	316,583
■	397	■	■	**White Motor (Dec)**	630,150	1,211,023	54,967
441	■	■	■	**Whitney Holding (Dec)**	1,728,632	140,312	186,093
■	433	■	■	**Whittaker (Oct)**	642,819	1,073,634	257,748
■	249	■	■	**Wickes (Jan)**	880,000	2,095,206	181,419
■	■	475	411	**Willamette Industries (Dec)**	630,586	863,706	418,614
362	283	234	404	**Williams Companies (Dec)**	2,011,857	1,850,013	869,600
■	81	278	309	**Winn-Dixie Stores (June)**	857,239	4,930,538	735,402
402	■	455	352	**Wisconsin Electric Power (Dec)**	1,830,664	867,565	436,592
■	470	■	■	**Witco Chemical (Dec)**	566,270	966,758	270,718
227	53	275	146	**F W Woolworth (Jan)**	2,927,000	6,785,000	746,213
81	52	24	29	**Xerox (Dec)**	6,553,600	7,027,000	5,227,011
■	500	■	■	**Zale (Mar)**	609,866	904,464	217,060
■	328	■	■	**Zayre (Jan)**	522,052	1,549,729	55,278
■	431	■	■	**Zenith Radio (Dec)**	591,317	1,075,165	183,651
482	■	■	■	**Zions Utah Bancorporation (Dec)**	1,503,606	150,996	76,176

■ Not on 500 list

SHARE DATA: 1979								
Shares Outstanding (000)	Where Traded	Ticker Symbol	Earnings Before Extraordinary Items	Dividends	Market Price (Dec. 31)	Corporate Headquarters	Number of Employees (000)	Chief Executive
5,386	OTC	UVBK	4.89	1.44	25¼	Richmond, Va	4.5	**Joseph A Jennings**
8,866	NYSE	UVV	2.79	1.16	18⅝	Richmond, Va	13.0	**Gordon L Crenshaw**
29,773	NYSE	UPJ	5.03	1.57	47¼	Kalamazoo, Mich	21.1	**Ray T Parfet Jr**
22,172	NYSE	USH	3.91	0.67	23¼	New York, NY	4.4	**Gordon E Crosby Jr**
35,302	NYSE	UTP	1.69	1.76	16⅞	Salt Lake City, Utah	4.0	**Harry Blundell**
22,283	NYSE	VLO	0.66	none	11¾	San Antonio, Tex	1.3	**William E Greehey**
10,106	OTC	VNBK	4.65	1.25	31½	Phoenix, Ariz	6.4	**Gilbert F Bradley**
92,874	NYSE	VEL	1.63	1.38	10½	Richmond, Va	9.6	**T Justin Moore Jr**
6,890	OTC	VNAT	3.06	1.01	13⅞	Norfolk, Va	4.1	**Clifford A Cutchins III**
11,493	NYSE	VMC	5.48	1.60	32⅝	Birmingham, Ala	6.2	**W Houston Blount**
12,766	NYSE	WB	2.71	0.79	18¼	Winston-Salem, NC	5.7	**John G Medlin Jr**
15,120	NYSE	WMT	2.68	0.28	34¾	Bentonville, Ark	21.6	**Sam M Walton**
2,461	OTC	WALD	3.18	none	12¼	Central Islip, NY	5.5	**Ira Waldbaum**
6,690	NYSE	WAG	4.54	1.43	33¼	Deerfield, Ill	28.0	**Charles R Walgreen III**
25,337	ASE	WAN C	1.17	0.06	32	Lowell, Mass	7.7	**An Wang**
26,809	NYSE	WCI	7.39	0.71	37⅛	New York, NY	7.5	**Steven J Ross**
79,619	NYSE	WLA	1.55	1.29	20	Morris Plains, NJ	61.0	**Ward S Hagan**
6,639	NYSE	WNT	4.75	1.35	25½	Evanston, Ill	5.9	**Stanley P Hutchison**
11,868	NYSE	WMX	3.10	0.60	43⅞	Oak Brook, Ill	8.2	**Dean L Buntrock**
22,802	NYSE	WFC	5.45	1.64	26⅞	San Francisco, Cal	17.5	**Richard P Cooley**
4,550	NYSE	WPM	5.66	2.80	35½	West Point, Ga	23.4	**Joseph L Lanier Jr**
13,030	NYSE	WAL	2.99	0.40	10⅜	Los Angeles, Cal	10.8	**Dominic P Renda**
36,870	NYSE	WBC	5.38	1.57	31⅛	Los Angeles, Cal	29.1	**Joseph J Pinola**
2,223	ASE	WFN	7.77	0.50	23½	Phoenix, Ariz	0.7	**Gary H Driggs**
15,656	NYSE	WU	–0.34	1.40	21⅝	Upper Saddle River, NJ	12.1	**Robert M Flanagan**
85,009	NYSE	WX	3.85	0.97	20⅛	Pittsburgh, Pa	145.3	**Robert E Kirby**
16,889	NYSE	W	4.61	1.37	30⅝	New York, NY	15.9	**David L Luke III**
7,417	OTC	WETT	1.72	0.69	11⅝	Hazelwood, Mo	3.5	**Ted C Wetterau**
125,423	NYSE	WY	4.02	1.08	31¾	Tacoma, Wash	47.8	**George H Weyerhaeuser**
10,471	NYSE	WFI	3.72	1.20	33½	Hampton, NH	16.0	**Michael D Dingman**
3,844	NYSE	WHX	12.16	1.00	17⅛	Pittsburgh, Pa	14.0	**Dennis J Carney**
36,200	NYSE	WHR	3.06	1.35	18¾	Benton Harbor, Mich	24.7	**John H Platts**
13,260	NYSE	WSW	4.87	1.33	23⅞	Cleveland, Ohio	33.1	**Roy H Holdt**
9,356	NYSE	WH	0.67	none	5⅞	Farmington Hills, Mich	9.7	**Cruse W Moss**
2,139	OTC	—	9.58	3.50	87	New Orleans, La	0.8	**Patrick A Delaney**
13,477	NYSE	WKR	3.28	0.43	19⅛	Los Angeles, Cal	14.5	**Joseph F Alibrandi**
10,831	NYSE	WIX	3.49	1.01	16¾	San Diego, Cal	18.5	**Emil L McNeely**
14,373	OTC	WMTT	4.72	1.20	29⅛	Portland, Ore	8.2	**Gene D Knudson**
27,175	NYSE	WMB	2.55	1.00	32	Tulsa, Okla	7.4	**Joseph H Williams**
26,864	NYSE	WIN	3.33	1.56	27⅜	Jacksonville, Fla	58.7	**Bert L Thomas**
19,086	NYSE	WPC	3.75	2.35	22⅞	Milwaukee, Wisc	6.0	**Charles S McNeer**
8,876	NYSE	WIT	4.83	1.30	30½	New York, NY	6.4	**William Wishnick**
29,700	NYSE	Z	6.02	1.55	25⅛	New York, NY	204.1	**Edward F Gibbons**
84,137	NYSE	XRX	6.69	2.30	62⅛	Stamford, Conn	115.7	**C Peter McColough**
10,719	NYSE	ZAL	3.21	1.02	20¼	Dallas, Tex	18.2	**Donald Zale**
5,083	NYSE	ZY	3.30	none	10⅞	Framingham, Mass	29.0	**Maurice Segall**
18,836	NYSE	ZE	1.01	0.90	9¾	Glenview, Ill	23.8	**Joseph S Wright**
3,312	OTC	ZION	4.26	0.88	23	Salt Lake City, Utah	1.6	**Roy W Simmons**

ta adjusted for stock splits and stock dividends through May 12, 1980.

es: 1) Sales figures exclude excise taxes. 2) Market Value is derived by multiplying the Dec. 31, 1979 closing price of the common stock by the number of anding at that date. 3) Cash Flow is total funds provided from operations (including discontinued operations) before extraordinary items. 4) 1979 figures r those February fiscal year companies for which 1980 results were not available at press time.

This announcement is not an offer of securities for sale or a solicitation of an offer to buy securities.

New Issue April 4, 1980

$75,000,000

Grumman Corporation

11% Convertible Subordinated Debentures due April 1, 2000

Convertible, unless previously redeemed, into Common Stock at a conversion price of $24.475 per share subject to adjustment under certain conditions.

Price 100%

plus accrued interest from April 1, 1980

Copies of the prospectus may be obtained from such of the undersigned (who are among the underwriters named in the prospectus) as may legally offer these securities under applicable securities laws.

Dillon, Read & Co. Inc.

Drexel Burnham Lambert Incorporated

Bache Halsey Stuart Shields Incorporated

The First Boston Corporation

Bear, Stearns & Co.

Blyth Eastman Paine Webber Incorporated

Donaldson, Lufkin & Jenrette Securities Corporation

Goldman, Sachs & Co.

E. F. Hutton & Company Inc.

Kidder, Peabody & Co. Incorporated

Lazard Frères & Co.

Lehman Brothers Kuhn Loeb Incorporated

L. F. Rothschild, Unterberg, Towbin

Shearson Loeb Rhoades Inc.

Smith Barney, Harris Upham & Co. Incorporated

Warburg Paribas Becker A. G. Becker

Wertheim & Co., Inc.

Dean Witter Reynolds Inc.

MONEY & INVESTMENTS

The Economy

A prop gives way

HE RECESSION OF 1973-75 was the worst economic slump since World War II. A couple of impor- numbers published in mid-April rt the view that the recession now way is likely to be deeper and more ged than that one.

se ominous April numbers were nes tracking plant utilization, fell sharply in March, and the pro- n of business equipment, which l off. There is a historic logical n between the two.

Iarch U.S. business as a whole ran oduction facilities at just 83% of ty (*vs.* 84% the month before and year before). As business uses less plant it has, obviously, the urge to e—let alone expand—productive ty diminishes. As utilization de- then, orders for new equipment to handle and ship merchandise tend Sure enough, production of busi- equipment in March was un- ed from the month before.

One month's data doesn't always announce a trend, to be sure, but a flattening of production in this part of the economy is worrisome. If it is followed by a downturn, it is positively alarming. That's because a slump in the production of business equipment has consistently preceded a decline in a much broader sector of the economy—spending on new plant and equipment *(see chart)*.

Should the slump in business equipment production prove to have been the forerunner of a more general decline in business spending, hopes for a shallow, short recession are dead. Business spending, after all, was supposed to prop up the economy as another prop, consumer spending, gave way. As recently as January and February of this year, businessmen contacted by the Department of Commerce's Bureau of Economic Analysis said they intended to increase their spending for plant and equipment by 11% in 1980—1.4% more in the first quarter, 2.3% in the second; and 5.1% in the second half. Judging from the early warning signs of the March data, they are unlikely to spend at that rate.

Until these weaknesses began to show up, most forecasts had envisioned modest but real growth for the economy as a whole this year, despite the probability, as many saw it, of a minor slump for one or two quarters. A lot of those forecasts have been revised. Now they see an absolute downturn of 0.3% to 1%.

The second quarter of 1980 will be the worst. In the first quarter real growth ran 1.1% ahead of the fourth quarter of 1979, according to early reports. But the second quarter, reflecting the Federal Reserve's restraints on consumers and on lending institutions, will experience a decline in real terms that could be as great as 7%. Subsequent quarters, according to the model of most economists, will show further declines, but of smaller magnitudes. At the end of the year, the consumer will still be struggling to repay credit advances while large numbers will be unemployed. By that time, however, a rebound will be starting.

Lost along the way this year may be programs to provide tax incentives for additional capital investment. You can hear the argument now: Why encourage capital outlays when there is plenty of unused capacity?

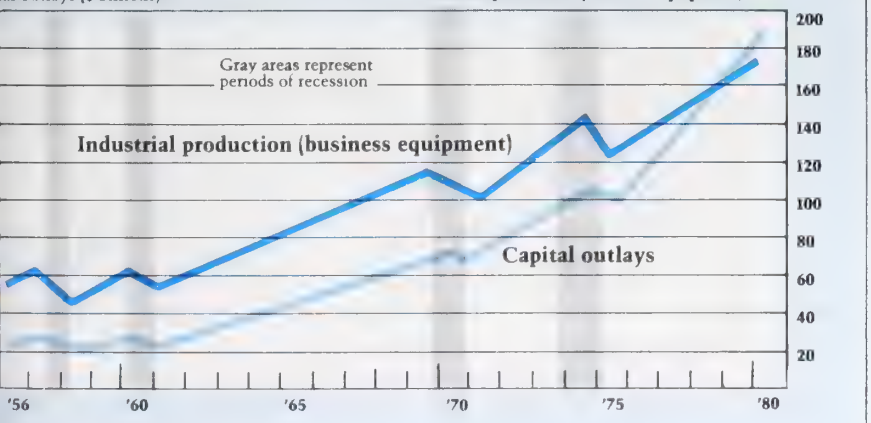
Also shoved to the side may be Washington's resolve to achieve a balanced budget. When the President presented in March a revision of his January budget, changes in spending and taxing were designed to bring a balance in the fiscal year ending Sept. 30, 1981 and thus exert fiscal restraint on expansion of the economy.

These changes, however, were decided at a time when it was okay, politically, to condemn inflation and pay little attention to unemployment data. Since the March 14 announcement by the Federal Reserve of tough restraints on consumer credit and, therefore, consumer spending, business has softened markedly, factory layoffs have blossomed and the public now worries about jobs more than the fight against inflation.

So once again politicians may prefer to worry less about balancing the budget, remove or loosen the lids on public programs and, at the same time, boost defense outlays. We would then be in for yet another period of guns and butter and inevitable inflation. ■

Another sign of a slowdown

ll four recessions since 1957, a downturn in business equipment production preceded a reduction in capital spending by businesses. Now, once again, tput of such lines as machinery, construction and farm equipment is lagging.



Sources: Bureau of Economic Analysis; Federal Reserve Board

Anyone who thinks all the risk has gone out of the economy isn't reading the news or is optimistic to the point of lunacy.

DON'T GET CARRIED AWAY

By Ben Weberman

WHAT GOES DOWN must come up. The bond market, which was setting records for volatility on the downside earlier this year, has now broken that record, but this time on the upside. In 16 trading days ended Apr. 16, long-term government bond prices rose anywhere from 12 to 15 points. To put it in perspective, that's more than double what bonds would fluctuate over a full year in ordinary times.

On Mar. 24 you could have bought Treasury 11¾s of 2010 for 92⅜. On Apr. 16 these same bonds closed at 107½, the yield dropped from 12.75% to 10.9%. It was a similar if less dramatic story for other bonds—intermediate-term and long-term. Long-term IBM bonds rose from 78 to 88.

Same thing in the tax-exempt market. The State of Oregon brought out a 28-year bond with a 9.2% coupon and sold it at par. Within two days the price had risen so much that the yield was reduced to 7.55%.

Okay, so now let's get to the big question: Is this just a smart rally in a bear market, or is it time to buy? I'm going to hedge my answer a bit, as seems only prudent considering these parlous times. In fact, I'm going to repeat the advice I've been giving for some months now: Stay with medium-term issues, that is, bonds maturing in seven years or less. For one thing, these issues have risen relatively less than long-term bonds since late March. More importantly, the downside risk is less, and anyone who thinks all the risk has gone out of our current economic situation either isn't reading the newspapers or is optimistic to the point of lunacy.

Ben Weberman is economics editor of FORBES *magazine.*

The risks? They are familiar ones. Inflation. We hope the rate will go down but we don't yet have enough evidence that it has, nor do we know it will stay down if it gets down. Certainly inflation psychology has not cooled. With a long-term bond you are betting on the inflation rate; with a short- or medium-term bond you are betting on Federal Reserve policy. At this point, the latter is more predictable than the former—although this is not always so. We know that the demand for credit is now likely to ease because the economy is slowing down and that means lower interest rates; the Fed, after all, wants a recession, not a depression. The Fed will allow short-term rates to fall.

So, why not go long and go for a nice capital gain? I'll answer that question with a question: What happens if, as the election draws nigh, the TV tube blares with news of unemployment, and the politicians panic? We could quickly see a badly unbalanced budget, all manner of fiscal stimulus and a U-turn in interest rates. If that happens, who wants to be caught holding long-term bonds due in 20 years?

What's quality?

It's markdown time in the bond business. I don't mean prices, which have recently gone up, but quality ratings which are going down for some formerly prime names: Ford, Goodyear, Shell Oil. In early April, Standard & Poor's downgraded Firestone Tire & Rubber bonds to BBB from A-minus. BBB is respectable but just barely so; one more notch down and the bonds count as speculative. Just so that Firestone needn't feel too bad, S&P's subjected its old rival Goodyear to the same indignity. In Goodyear's case, the reason given was: "overcapacity, reduced demand and highly competitive pricing environment."

Ford Motor was downgraded for reasons that you can read about in the newspapers every day. Shell got punished for taking on so much debt t buy Belridge Oil that its ratio of deb to capital doubled from 18% to 39%. The company boasted in the 1979 ar nual report: "Successful maintenanc of our AAA credit rating contribute to our ability to pursue aggressivel the Belridge acquisition opportunity. It boasted too soon.

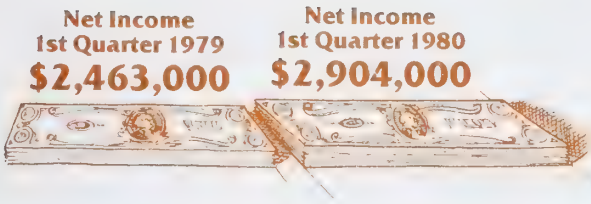
Markdowns in quality ratings ar noteworthy because rare. They are be coming less rare as the combinatio of high interest rates and a slowin economy set the stage for potenti credit losses.

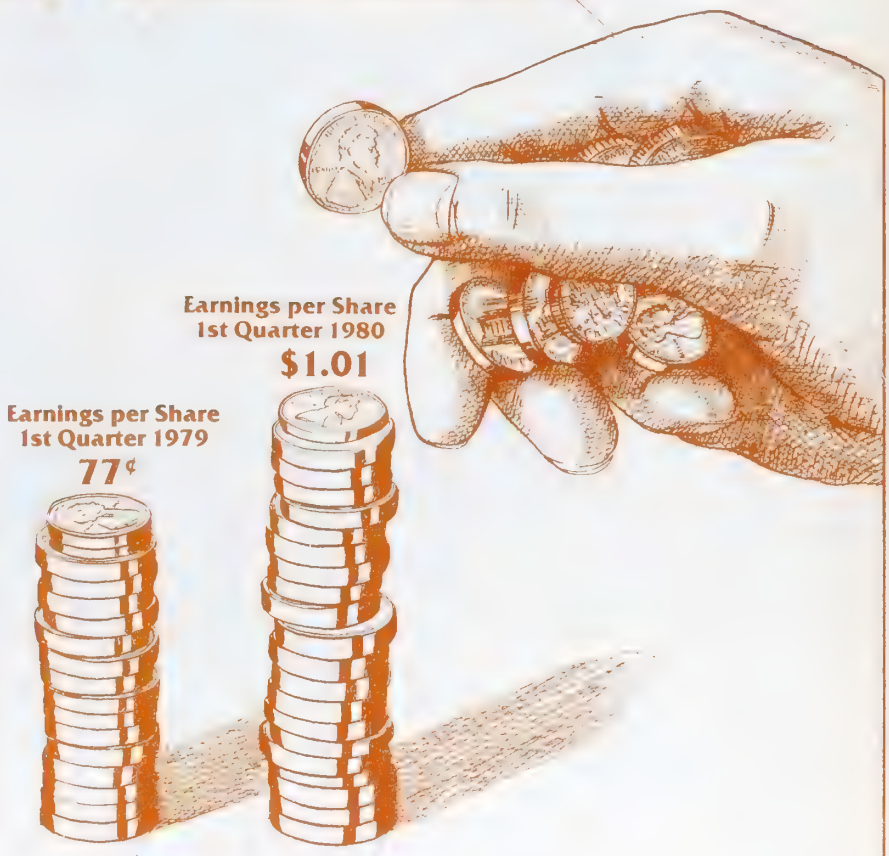
A large number of major and sma banks, for example, are bein squeezed by high interest rates. Th is the group that bet rates would to out in 1979, when yields were muc lower. They took on fixed-retur loans and investments, expecting t receive a generous yield for yea ahead. Instead, the revenues are les than the marginal cost of money t them and the loans and investmen must be financed by rolling ove short-term liabilities at rates th make the loans unprofitable.

Meanwhile, some loans are turnin bad. Banks that staked their future o consumer credits may run into an e traordinarily large number of person bankruptcies. Banks that lend t farmers will have delinquencies an defaults because farm product price have dropped sharply. Banks in aut motive centers such as Detroit wi face the problem of serving a d pressed area—with large amounts credit outstanding.

Some tax-frees are interesting fro the standpoint of ratings. Philip Gol smith, municipal research partner Prescott, Ball & Turben, compil lists of securities his firm believes a better in quality than indicated b Moody's and Standard & Poor's ra ings. "Quality is generally mispe ceived by the industry," he say Bonds of the State of Louisiana co tinue to improve in quality because substantial revenues from oil and ga deposits and from sales-tax receip flowing from the extraction busines It's a domestic Saudi Arabia. Gol smith also likes Massachusetts b cause the employment base has co tinued to shift into less-cyclical indu tries. The Puerto Rico Telephor Authority, frowned on by the ratin agencies, is "the most undervalued any of the Puerto Rican agencies," h says. "Debt service coverage ratios a met easily and a three-year contra with employees should elimina near-term labor problems." ■

Keene's 18th record-breaking quarter was stacked with good news.





The bottom line keeps getting better and better. Our First Quarter '80 earnings were a record $1.01 a share, up 31% over the first quarter earnings of last year. That's the eighteenth time in a row that Keene's quarterly earnings have been higher than the earnings of the corresponding quarter a year earlier. Net income of $2.9 million set a first quarter record. First quarter sales were excellent, too. Despite divestitures of some low-profit lines, sales climbed to $52.1 million, a 10% increase over the first quarter of '79.

Concentrating on four growth fields is one secret of Keene's growth.

Keene concentrates its resources on four core product lines which promise the best opportunity for profitable growth: bearings, lighting, laminates and filtration. In 1980 they will represent a growing market of approximately $2.75 billion for us, with a strong long-term trend. We're happy to say our share of market in all those fields increased appreciably in 1979, and we can see even larger increases in market share ahead of us in '80. Send for our Annual Report for the details of how we're making it happen. We'll also send you more facts about our record First Quarter.

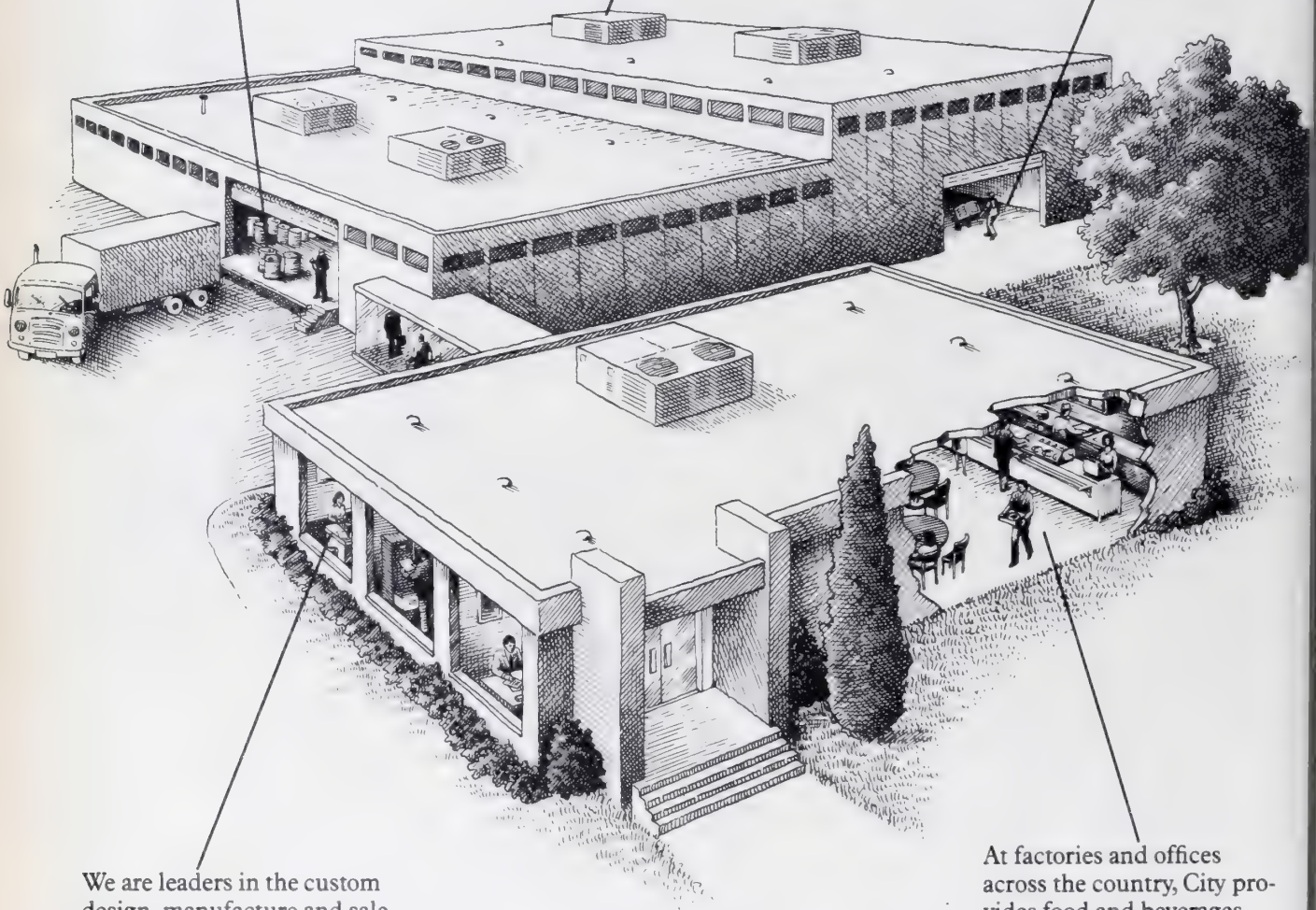
KEENE
CORPORATION
200 Park Avenue, New York, N.Y. 10017

City Investing reports to its

We are one of the leading U.S. manufacturers of central heating and air-conditioning equipment, and the world's largest producer of storage water heaters.

City Investing is the world's largest manufacturer of steel shipping containers for the chemical, petroleum, paint and food industries.

In insurance, we are one of the largest property and casualty underwriters in the United States.



We are leaders in the custom design, manufacture and sale of printed business forms.

At factories and offices across the country, City provides food and beverages through cafeteria operations and vending machines.

ockholders on manufacturing

n 1979, City Investing's revenues rom domestic manufacturing were nore than $1.2 billion. That's an ncrease of 47 percent over 1978.

Our performance in these activties has been good. Our interests re diversified, both in the products ve produce and the markets we erve. We are expecting continued rowth in the 1980s.

We keep buildings warm, cool and efficient

Our heating, water heating and aironditioning systems are basic and essential.

We build them for domestic nd commercial applications, and ngoing technological improvenents have made them among the nost efficient systems on the narket today.

For example, in comparison vith standing pilot furnaces in our Rheem product line, energy-saving lectric ignition and an automatic vent damper make our new gas urnaces up to 27 percent more efficient. Based on Department of Energy procedures for calculating nnual estimated operating costs, up to 18 percent can be saved on your heating bills.

Our high efficiency air-conditioners can be more effective in cooling an entire home than individual room conditioners.

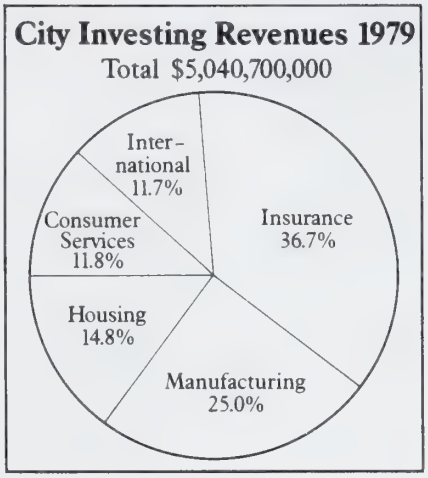
Heat pumps represent a growng market for us in many parts of he country. And in commercial pplications, they can deliver significant operating economies in reas where electric heat is being sed.

We design and sell conventional vater heaters under the Rheem nd Ruud brand names, and very romising solar water heating ystems.

The domestic water heating narket is surprisingly reliable. More than sixty percent of the business is replacement business, not ied to housing starts.

Internationally, we build steel drums and other products at 72 plants in 19 countries, including Brazil, Belgium, the United Kingdom, Mexico and Italy.

Our international manufacturing operations delivered more than



$591 million in revenues in 1979, up 26.6 percent over 1978.

We are making an impression in printing

We operate one of this country's leading magazine printers, which prints some of the best known publications on the newsstand, most of them under long-term contracts. There are three main plants. We are spending more than $30 million on new offset printing facilities in Mt. Vernon, Illinois.

We are also leaders in the design, manufacture and sale of printed business forms, processing systems and equipment—for everything from small businesses to direct mail operations and computer processing.

A company that fits together for growth

City Investing's total revenues in 1979 were more than $5 billion. Total assets are now more than $7 billion.

We are not only in good, basic businesses, but we are leaders in most of them. In addition to Manufacturing (a cornerstone in our company) and International, we are involved in three other major areas.

In Housing, we are predominantly located in the Sun Belt, one of the fastest-growing regions in the country. Our operations here have made us one of the nation's largest single-family homebuilders.

We also manufacture mobile homes in 19 plants across the country. And we plan and build entire residential communities in Florida.

Our Consumer Services sector includes the leading budget-priced motel chain, Motel 6, and one of the largest institutional food service businesses in the United States.

In Insurance, we are a major underwriter of commercial lines through The Home Insurance Company, a $2 billion writer of property, casualty, life, accident and health insurance.

Dividend growth has continued

As our revenues and earnings have grown, so have our dividends. In the past five years, the annual dividend rate has more than doubled, to $1.50 per common share currently. And our performance has built a firm foundation for future growth.

To learn more about us, and the businesses that are part of City Investing, just clip this coupon.

FB-512

John Herndon, Vice-President
City Investing Company, Dept. M
767 Fifth Avenue
NEW YORK, NY 10022

Dear Mr. Herndon:

Please send more information on City Investing.

Name_____

Address_____

City_____

State_____ Zip_____

City Investing fits together for growth

The New Deal was geared to stimulate consumption, but what may have been appropriate then is pure poison now.

COMING HOME TO ROOST

By Heinz H. Biel

INVESTORS have had a pretty rough time so far this year. And I mean all investors, not just holders of stocks and bonds.

The gold bugs had their weeks of great euphoria, but a $400 price drop is unnerving, even if the original cost price was low. The silver caper of the Hunt brothers will go down in the annals of economic history as something akin to the tulip mania a few hundred years ago. The truly smart ones were the supposedly naive people who dumped their old household silver at fantastic prices.

The booming real estate market has turned soft. It isn't easy these days to sell a house, unless the buyer has all the money he needs or the seller is willing to take back a low-interest mortgage. I don't know about the various collectibles, but it seems that the buying ardor has cooled off, too.

The winners were the true pessimists who put their money into short-term Treasury bills, rolling them over at ever higher interest rates. But these are refuges for scared money, which hardly qualify to be termed "investments."

While much of these broad market unsettlements can be ascribed to the ineptitude and vacillations of the Carter Administration's foreign and domestic policies, and to the premonition of a possibly less-than-shallow recession, the major cause is inflation, which has now reached the stage where it becomes exceedingly difficult to get it under control. *The sins of the past have come home to roost.*

It has taken a long time for people to realize that the American economy is in mortal danger. The many warnings went unheeded. More than two years ago (FORBES, *Mar. 20, 1978*) I wrote a column that elicited more reader response than anything I have written before or since. The heading was "We Must Scream Louder." Well, we didn't.

The roots of inflation go back much further than just the past 10 or 15 years, when federal budget deficits exploded into insane magnitude. The main concern of Franklin Roosevelt's New Deal was to get the American economy back on the track after the severe *deflation* that accompanied the Great Depression of the early Thirties. In addition to Keynesian fiscal policies, everything was geared to stimulate consumption. It still is today, but what may have been appropriate then is pure poison now!

FDR's economic policies did not work, but he was bailed out by World War II. Instead of disavowing the New Deal after the war, we continued its fallacious economic philosophy with such measures as the Full Employment Act. As if you could legislate full employment with any greater success than you could control wages and prices.

Our tax policy is still designed to *stimulate consumption* and to *discourage saving*. If you use credit because it is so nice to live beyond your means and buy the things you really can't afford, the interest you have to pay is tax deductible. This means, in effect, that we, the taxpayers, are subsidizing you, the borrower.

The saver, on the other hand, is penalized. The interest he receives is taxed, even though he probably invests previously taxed income. The saver doesn't even get the ridiculously low $100 exemption, which applies to dividends. People who now have to pay 16% on a home mortgage or over 20% on the debit balance in their margin account actually pay much, much less because of the tax deductibility. But how much does the saver keep, *after taxes*, of the 15% yield of a good quality bond? Maybe 6% or 8%

This is the most stupid policy ima inable. It has caused our savings ra to drop below that of any other maj industrialized country. Savings a now inadequate to provide the capit necessary to keep our productive f cilities efficient and competitive.

Is it any wonder that subsidizi the borrower has led to the greate expansion of credit we have ev seen? Sure the federal budget defici which every politician is talki about, are highly inflationary, but t excessive use of credit, facilitated weak Federal Reserve policies and accommodating banking system, far worse. The numbers are far larg Don't blame the borrower. He wou be foolish not to take advantage of t government's largesse, particularly times of worsening inflation.

This tax system, which may ha had some merit 40 or 50 years ag when income taxes were insignifica by today's standards, has become ingrained in our economy that it ca not be reversed overnight. The ho of protest and anguish would be de ening. It is a case for gradualis *Gradually* reduce the tax on intere income and/or establish and increa exemptions; and *gradually* elimina the tax deductibility of interest pai

If for socio-political reasons want to encourage home ownersh or sustain the family farm or aid sm business, let us do that by open, cle ly visible, direct subsidies. W should all taxpayers have to absor good part of the borrowing cost p by corporations and individuals loans on projects that are not nec sarily in the public interest, such *Sun's* multibillion dollar acquisition *Seagram's* oil properties or the Hun silver speculation or the constructi of gambling casinos?

If we want to arrest the contin depreciation of our dollar, we m have a combination of fiscal dis pline, a firm monetary and credit p cy, and a sensible system of taxati which encourages saving and disco ages borrowing. Alas, there is lit reason for optimism on that score. long as our politicians believe t inflation is caused by higher pri and higher wages, prospects for int ligent *and* timely action are dim.

After this digression into the fi of economics, this column will turn to its proper theme, *Stock Co ment*, in the next issue, but beca of the close linkage of the two s jects an occasional deviation see appropriate. ■

Heinz H. Biel is a vice president of the NYSE firm of Janney Montgomery Scott

Our bottom line is really moving up.

SANTA FE INDUSTRIES, INC.

Deliberate planning. Sound diversification.

They're as basic as our businesses. And the results have been dramatic.

Santa Fe Industries, Inc. earned a record net income in 1979 of $227.7 million, or $7.63 a share, fully diluted, a 38% increase over 1978. This is the fourth consecutive year of record earnings for Santa Fe.

All of our operating groups made a positive contribution to Industries' pre-tax income.

Our transportation group, which includes the Santa Fe Railway, made a pre-tax contribution of $135.4 million, an increase of 22% above 1978.

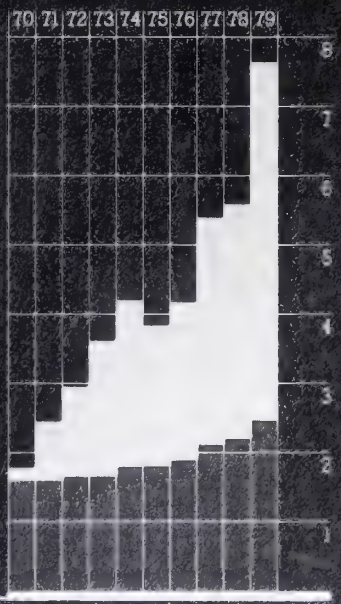
The natural resources area contribution of $105.3 million was nearly double the 1978 results.

Forest products pre-tax contribution was $15.3 million and real estate and construction activities made a pre-tax contribution of $25.6 million, up 32% above 1978.

For more information about our dramatic 1979 results, write us for a copy of our annual report:
Santa Fe Industies, Inc.,
Dept. 333, 224 South Michigan Ave.,
Chicago, IL 60604.

Income per share

in dollars

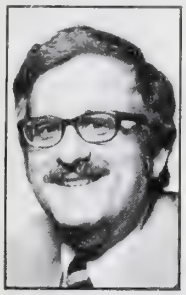


Dividends declared | Fully diluted earnings

The silver bulls made the fatal mistake of failing to imagine that silver could once again sell for $10 an ounce.

ON FACING REALITY

By Stanley W. Angrist



NOT just commodity speculators but it seems everyone has been talking recently about silver and the Hunt brothers. People seem to be endlessly fascinated by stories of great wealth made or lost in short periods of time. (In case you have just returned from your spring cruise and are unaware of what happened in the silver market, the chart at right spells out the entire story.)

Depending upon whom you listen to, the Hunts (Nelson Bunker and William Herbert) either: a) came very close to cornering the silver market; b) missed a corner by a mile; c) got what was coming to them; d) lost a small fortune; e) made a small fortune; or f) none of the above. Based on what we know so far, no single answer listed above will describe what actually took place. The events are fairly complicated but there is one thing on which I wish to set your mind at rest—the Hunts *will not* be applying for public assistance in the near future.

In January 1979 silver traded at around $6 per ounce; by last summer it had reached the then astounding level of $9. Many speculators felt they had done quite well on the $3-per-ounce ride up ($15,000 per contract) and exited the game, or even worse, went short in expectation of a sizable correction. Several factors conspired to confound their analysis.

The forces that came together in the past few months to launch silver into the stratosphere were as follows: 1) The Hunts and several other wealthy individuals continued to buy substantial numbers of silver futures contracts and to take delivery as they matured; 2) the rate of inflation accelerated and appeared to be out of control; and 3) the U.S. suffered several setbacks in foreign affairs that made us appear to be a weak country whose currency should be shunned at almost all costs. These three factors came together with such force that silver became the commodity on which you could not lose money if you went long.

As prices rose, additional equity was created in the accounts of the silver bulls. These bulls could not resist the temptation to use this equity to purchase additional silver contracts. In essence, they pyramided. The rich got richer and the poor (read "shorts") took the gas pipe.

The silver bulls were sitting on top of a giant bubble that awaited only a pinprick to turn it back into soap and water. They received several. As the frenzy grew, both major silver exchanges limited speculative positions in silver to 600 contracts. That meant that no more really big traders could enter the market. Then for a while both exchanges ordered that silver trading was for liquidation only. This meant that no new long positions could be established; the only trade a long could make was to sell to a short who wanted out. The game was being limited to current players only.

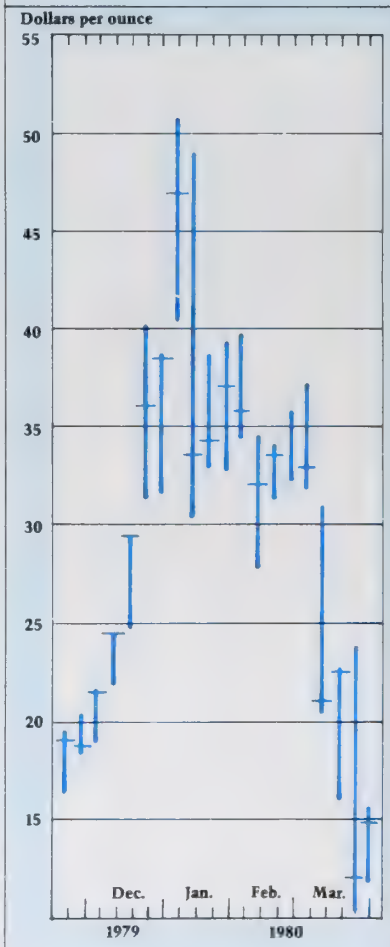
Meanwhile, the margin that traders had to put up to hold their positions was raised to $40,000 per contract for those holding 100 contracts or more. (Last September the margin on a silver contract was a mere $2,000.) These margins acted to close out the small speculator who wanted to play this game.

Yet there were two other factors that, even without the three rule changes enumerated above, would have burst the bubble anyway. The high prices that the Hunts created called forth a tremendous amount of silver. Silver producers took steps t increase production. Furthermor millions of people remembered th candy dish that Aunt Claire had give them for a wedding present. The took it down to the silver buyin shops that had sprung up all over th country and turned the candy dis into cash. Finally, silver reclamatio techniques and equipment got a sh in the arm the likes of which they ha never received before. Soon we wer

Stanley W. Angrist is a professor at Carnegie-Mellon University and the author of Sensible Speculating in Commodities.

Silver spike

Commodity pyramids are built by buying additional contracts with paper profits as prices rise. If the pyramid builder is big enough, the additional contracts purchased fuel further price increases. But as the Hunt brothers learned—the hard way—at some point, exogenous forces, such as changes in the rules or increased supplies coming to market, will act to stop the pyramid builders. Then, look out below!



Source: Commodity Research Bureau, Inc

vash in silver. The icing on the cake as supplied by the Federal Reserve oard when in March it tightened the onetary screws again, forcing inter- t rates to unheard-of (in this coun- y, at least) levels. It's pretty hard to rn down a risk-free 15% return from T-bill.

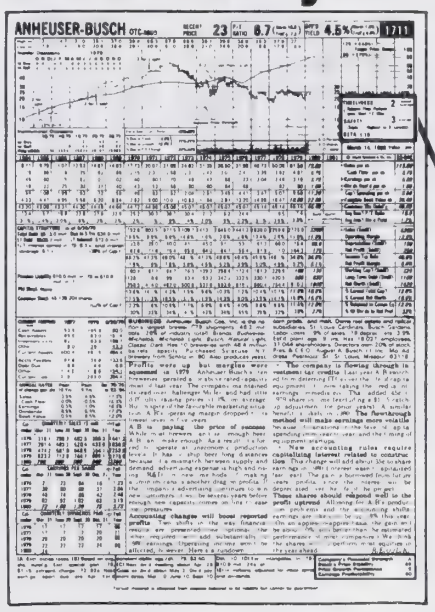
So the run for daylight started. The rst wave of selling knocked silver own to the $30-to-$35-per-ounce lev- . It seemed like a bargain to many. ne next leg down took it to $20, here it attracted a new group of bar- in hunters. As the final wave of argin calls went out, silver collapsed $10 per ounce before bouncing $5 $6.

The Hunts could have made several llion dollars had they not sold under rced liquidation conditions. As it they probably made only a modest m. (You can define modest.) Re- ember they bought a lot of silver etween $3 and $4 per ounce. When e rules were changed in the middle the game, it precluded the possibil- y of a corner. However, I think they ould have failed to run a corner yway given the tremendous out- uring of silver that has taken place cause of high silver prices. The unts can well afford this bit of ad- rsity, but, alas, they took with em a lot of folks who might not be well off.

I have given considerable thought these strange events and tried to nd out if there was some important sson that could be learned from em by commodity traders. And ere is. The silver bulls made a fatal istake. They forgot that what goes can come down again. It never curred to them that silver, after sell- g at over $50 an ounce, could once ain sell for $10.

Commodity traders, by their very ature, are optimists. But speculators ust force themselves to go against eir nature and concentrate their oughts on adverse consequences. hat if a trade does not work out as pected? What is my game plan en? At what point will I admit at I am wrong and take my medi- ne? Not all trades work out as anned—indeed we consider our- lves exceptionally skilled traders if 5% of our trades are profitable. nerefore, adverse moves must be ppermost in our minds, for if they en't, we are not facing reality. The ability to face reality is certainly ot a prescription for success in the mmodity market—or, for that atter, anyplace else. ■

2 things you should know about EVERY stock that concerns you:



Each of 1700 stocks monitored by Value Line is the subject of a new full-page Report (size 8½ x 11) every 13 weeks. (A complete set of the latest Reports is yours as a *bonus* below.)

TIMELINESS **2** Above Average
(Relative Price Performance Next 12 Mos.)
SAFETY **3** Average
(Scale: 1 Highest to 5 Lowest)
BETA 1.10

Each of these full-page Reports contains more than *1000 items of information* about the subject company and its stock. But before you bother with any other information, there are two things you should know about EVERY stock that currently concerns you:

1. How SAFE is this stock? Value Line ranks each of 1700 stocks from 1 (Highest) down to 5 (Lowest) for relative long term investment Safety. The Safety rank is based on the stock's price stability and the company's financial strength (each of which is also ranked separately). If you require superior Safety, stick with stocks ranked 1 or 2 in this respect.

2. How TIMELY is this stock? Value Line ranks each of 1700 stocks from 1 (Highest) down to 5 (Lowest) for Timeliness—reflecting Value Line's objective, computerized assessment of its relative price performance prospects in the next 12 months. Almost every stock goes through phases when it performs a lot better, or worse, than the overall market. Whatever else you may want from your investments, if you want performance, we suggest you stay with stocks currently ranked 1 or 2—and not worse than 3 (Average)—for Timeliness.

SPECIAL INVITATION

Value Line is offering a special Introductory 10-week trial subscription to the Value Line Investment Survey for only $33—about half the regular price—providing you or any member of your family has not had a subscription in the past two years. As a double bonus at no additional charge, you will receive the 2000-page Investors Reference Service (covering more than 1700 stocks) which will be updated every week—and the 96-page booklet, "Evaluating Common Stocks." Filing takes less than a minute a week. All this material is so organized in your binder that you can quickly turn to a continually updated report on almost any leading stock.

Send your check or money order along with your name, address and zip code together with this ad to:

The Value Line Investment Survey

Arnold Bernhard & Co., Inc. • 711 Third Avenue,• New York, N.Y. 10017

☐ Begin my 10-week trial to The Value Line Survey (limited once to any household every two years) and send me the two bonuses listed above. Check for $33 is enclosed. (Trial subscriptions must be accompanied by payment.)

SPECIAL EXTRA BONUS

A famous-make pocket-size CREDIT CARD/CALCULATOR SUPER SLIM LCD CALCULATOR (with full memory) given to you when you order the Value Line Investment Survey for one year—and send payment now.

☐ 1 year for $330. My payment is enclosed—send me the CALCULATOR as my extra special bonus. (There are no restrictions with this annual subscription.)

☐ Enter my subscription now. Bill me for $330. (Does not include the calculator.)

SIGNATURE

NAME (please print)

ADDRESS APT. NO.

CITY STATE ZIP

GUARANTEE: If dissatisfied for any reason, I may return material within 30 days for full refund of the fee I have paid. Subscription tax-deductible and nonassignable. Foreign rates on request. (NY residents add sales tax.) 816A12

There are ways to get around one unavoidable fact of life if not the other. Sometimes the methods work, sometimes not.

DEATH AND TAXES

By John Train

JAKE FISHER spent over 30 years in the Internal Revenue Service, ending his career as a supervisor of an estate and gift tax unit.

Not surprisingly, he has many stories to tell about the complicated world of taxes, and tell them he does in his curious book, *Human Drama in Death and Taxes* ($12.95, Communication Channels, 185 Madison Avenue, New York City).

The volume may be too arcane for the general reader, but should be of interest to trust officers, tax accountants and Internal Revenue agents. To pique their curiosity, here are three of Mr. Fisher's more singular tales:

The timber magnate

A West Coast forest owner was killed by a taxi early in the morning of Jan. 4, 1966, shortly after emerging from a nightclub in New York City.

Within a few months after his death, his property was ravaged by a forest fire.

The executor decided to use the alternate valuation date—Jan. 4, 1967—because of the reduced value of the estate as a result of the fire.

On Apr. 4, 1967, the 15th month to the day from the date of death, the attorney for the estate personally presented the estate tax return at the office of the Internal Revenue Service District Director where the magnate had resided.

At the audit, the examiner produced New York City hospital records indicating that the timber magnate had been pronounced dead at 1:30 a.m. on Jan. 4, 1966. He then directed the estate's lawyer to Section 2031(C) of the Internal Revenue Code, which provides that the alternate valuation date can be elected *if the return is filed within the time prescribed by law.*

However, the time of death is the time at the decedent's *domicile*; if he dies at any other place, the time at that moment back home governs. As it happened, 1:30 a.m. in New York on Jan. 4, 1966 was 10:30 p.m. on Jan. 3, 1966 at the decedent's home.

So the return was not filed "timely," as they say. Thus, the estate could not use the alternate valuation, and, as a result, it lost a fortune. However, the IRS auditor was magnanimous. He waived the late-filing penalty.

The prodigal

A father had a deadbeat son who was periodically arrested. The father, to his great vexation, found himself obliged to furnish bail and to make good his son's debts.

Finally, the father declared that he was through: He was going to disinherit his son and never wanted to see him again. The son replied that if that happened, he would fight the will in every court, however long it took, so that no one else in the family would get anything for years. Undaunted, the father did disinherit him.

When the father died, sure enough the son came to town to contest the will. The attorneys for the bank that was acting as executor called in the son's lawyer. The lawyer went back to the son and advised him to give up. He himself withdrew from the case then and there.

What had happened? It turned out that while still alive, although ailing, the father had assembled in his hospital room his lawyer, doctor, clergyman, a psychiatrist and the manager of his construction firm, with a movie camera complete with crew on hand to record the proceedings.

The father introduced all those present to the "live" camera, and asked them to comment on the situation. Each spoke at some length.

After that, the father carefully recited the provisions of his will before the camera. He then detailed the painful history of his relationship with his son, ending with the solemn words: "It is my wish and desire that my son share no portion of my estate."

With that, the testator and the witnesses signed the instrument.

The evidence was so clear and so powerful as to preclude any contention that the testator was incapacitated, unduly influenced, or any of the other allegations typically advanced in attacking a will. The wastrel son was stymied.

You can't beat city hall

An official of a northeastern city took frequent junkets on "city business." He was accompanied by his secretary in her capacity as a municipal employee.

The secretary was in on all of her boss's doings, and as one of her perquisites had a key to the politician's safe deposit box, which received regular additions that were not declared to any tax authority.

One winter the pair visited Miami to "represent the city government" at an air pollution conference.

They had a sensational weekend, perhaps too sensational. At the end of it, the politician was carried off by a heart attack.

The secretary checked out of the hotel forthwith, flew north, and at opening time the following morning appeared at the bank with her key to the safe deposit box.

The obituary had not yet run in the local morning papers, so she had no trouble gaining access to the box.

Some days later, when the box was officially opened, nothing was discovered in it except the owner's will and some other documents: no cash.

When the tax authorities questioned the secretary, she said that she hadn't known that a safe deposit box was supposed to be sealed after the owner's death, and had removed only some of her personal papers.

However, among the politician's effects at home were found three more sets of the special keys used for safe deposit boxes. The authorities questioned the secretary about those keys. She knew nothing about them. Aha, the agents replied, he must have been keeping boxes under false names in other cities.

Two words escaped the secretary's lips: "The rat!" ■

John Train is president of Train, Smith Investment Counsel, New York, and the author of The Money Masters *and* Dance of the Money Bees.

What's a Scott & Fetzer?

☐ **A.** A drink that's great on the rocks.

☐ **B.** A street corner in Cleveland.

☐ **C.** Authors of a best-selling diet book.

☐ **D.** None of the above.

nswer A is incorrect because verages is not one of our five siness segments. We are deeply mmitted, however, to Cleaning stems; Educational and ousehold Products; Fluid ansmission Products; Power d Controls Systems; and uipment & Accessories.

Answer B is incorrect because eet corners do not rack up cord earnings year after year we do.

Answer C is incorrect because hough we publish the best ling World Book encyclopedia, we have not yet written a diet book. And we probably won't because there's little fat on our corporate frame or among our 17 operating units.

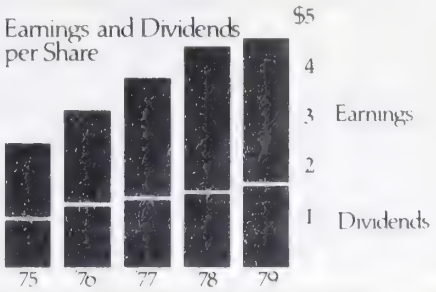
Answer D is correct.

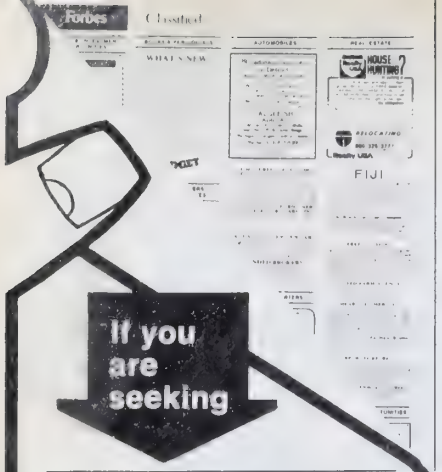
Nobody has all the answers to the question of what makes companies grow and prosper. At Scott & Fetzer, we believe credit for our success can be given in large part to the fine reputations our products have earned over many years. Products such as World Book and the renowned Kirby vacuum cleaner, Wayne water systems, Campbell-Hausfeld air compressors, and many more fine products for home and industry. We've been innovators, and leaders. We've not shied from taking risks and we've acted quickly to correct mistakes.

How did we do in 1979? See answers below.

Scott & Fetzer

14600 Detroit Avenue
Lakewood, Ohio 44107





If you are seeking

INVESTMENT OPPORTUNITIES

TAX SHELTERS

POSITIONS AVAILABLE

BUSINESS OPPORTUNITIES

REAL ESTATE, ETC.

Turn to pages 322-323 of this issue for

Forbes Classified

CAPITAL GOODS and EXECUTIVE MARKETING*

*Executive Marketing is the art of influencing top management in order to develop and expand markets for high-value goods and services.

For an informative booklet, send us your business card...

COMMON WEALTH

THE COMMONWEALTH GROUP, INC
Specialists in Influencing Executive Markets
Cummings Point, Stamford CT 06902
(203) 325-3826 (212) 431-5388
(213) 628-4181

Il Nido
★★★
N.Y. Times

RISTORANTE ITALIANO
LUNCH & DINNER
Amer. Express & Diners Club
251 E. 53rd Street
(Bet. 2nd & 3rd Aves.)
N.Y.C. 753-8450-1

The stock market will benefit. After the New Frontier, the Great Society, Nixonomics and Peanut Populism, a sense of fiscal responsibility is returning to Capitol Hill.

THE SUPER POLL

By Ann C. Brown

IT'S ALL OVER but the shouting, and the marching and the banners and balloons and other pointless pageantry of political conventions. With only a handful of primaries still to come in the 50-states-plus-Puerto Rico-playoffs, the votes are already in and counted. The conservatives have won—both Democrat and Republican. All that remains for Nov. 4 is to measure how sharp a turn to the right the majority of American voters have taken.

One of the greater myths of democracy is that leaders lead and followers follow. In elected government, followers lead and leaders follow. The worst thing that can happen to a politician is to be shouting "left turn" while the people he desires to represent are turning right. Recent months have witnessed any number of previously free-spending senators hopping on the balanced-budget bandwagon. Former doves in the House of Representatives are now clamoring for cruise missiles and supporting teenage draft registration. And the once-enthusiastic backers of SALT II have been peppering the proposed treaty with requests for clarification and questions regarding viable verification.

Whatever the election outcome this autumn, the real winner will be the stock market. After the New Frontier, the Great Society, Nixonomics and Peanut Populism, a sense of fiscal responsibility is returning to Capitol Hill. We may be the wealthiest nation on earth, but we have learned that there's no blank check to write our way out of poverty, pollution and increasing scarcities. The price of utopian goals, no matter how commendable, is inflation, and the cost is too high for too many people. From here on out, watch for increasing emphasis on savings and investments versus consumption, and a greater reliance on private versus public employment. Things are looking up—way up for investors who have borne the brunt of nearly two decades of economic irresponsibility.

Earlier this year (FORBES, *Mar. 17*), I listed several reasons why I thought there was a good chance that there wouldn't be a recession in 1980. That was before the Federal Reserve embarked on a kamikaze course that scared the silver out of everyone and nearly closed the doors of several brokerage firms in the process. Whether or not the GNP makes it through the year—battered and bloodied but not down for the two-consecutive-quarter count—remains to be seen. In any event, if a recession should occur, it will have been discounted by the stock market for two years and consequently should have little or no adverse effect on most stock prices as investors begin to concentrate on a rosier, diminishing-inflation future.

Although the rate of inflation will start declining later on this year, we will still be fighting to contain it below the double-digit level for some time to come. Therefore, I continue to place considerable faith in natural resource stocks, particularly those companies whose assets are concentrated in friendly lands—Missouri, for example. Here *St. Joe Minerals* (40) produces loads of lead from relatively low-cost mines. The company also is a prime supplier of low-cost zinc in addition to having oil and gas holdings in the North Sea due to come on stream sometime this summer. Add a touch of gold and tons of coal and St. Joe Minerals looks like a company whose time has come. St. Joe Minerals operates on a March fiscal year and is estimated to report earnings of $6.40

Ann C. Brown is executive vice president of the New York investment firm of Melbado, Flynn & Associates

er share for the year just ended, up rom $3.46 in 1979. Preliminary estinates for fiscal 1981 are in the area of 8 per share.

Texasgulf Inc. (32) has broad natural esources interests besides being the vorld's second-largest producer of sulur. In these uncertain times, it seems rudent to have an investment in cadnium, copper, silver, lead, iron, zinc, oda ash, oil, gas, potash and phoshate. The recent blowoff in interest ates and the resultant decline in overll commodity prices dropped the rice of Texasgulf from a high of 53 to s current buying range. The comany earned $4.05 per share in fiscal 979 (March), up from $1.33 in 1978. stimates are for $7.80 per share this ear and $8.50 in 1981. What's more, looks like the second-quarter divinend may be raised substantially from 0 cents per share to perhaps as much s 45 cents.

The cruel winds of March huffed nd puffed and blew down the prices f two companies I missed recomnending last year. *Pioneer Corp.* (37) is diversified energy company primary involved in the exploration and roduction of oil, gas and uranium. In ddition, Pioneer Corp. provides drillng services, sells heavy construction nachinery throughout rapidly growng Texas and manufactures oilfield quipment. Over the next few years, ne company plans to explore its acrege in the promising Anadarko Basin r deep (and deregulated) natural gas. ast year earnings of $3.57 were up lmost 100% from the year earlier. or 1980 preliminary estimates are round $4 per share.

Petrolane Inc. (35) is the other stock wish I'd mentioned—and now can—nanks to the "correction" that ropped the price some 20% or so om its recent high. Petrolane is a eading marketer of liquefied petroeum gas (LPG). Through one subsidry, the company specializes in offnore-drilling equipment and services, nd through other subsidiaries Petrone charters a fleet of 45 deep-drilling nd rigs and services offshore drilling latforms with over 70 cargo and crew oats. Readers know of my past and ontinued interest in *Suburban Proane Gas* (28), and Petrolane is in the ame business and then some. With PG more cost-efficient than fuel oil nd electricity, the outlook is very ttractive for the 1980s. Last year, etrolane reported $2.40 per share, up om $1.95 in 1978. This year $2.75 eems attainable and, with any luck, naybe a bit more. ■

Attention investors in 50% or higher brackets.

Earn tax-free income*with money market stability and liquidity. The initial investment is $20,000 and you receive these benefits:

1. Constant $1 Share Price
2. Daily Tax-Free Income
3. Checkwriting & Wire Liquidity
4. Quality Portfolio
5. Diversification
6. Professional Management

Call today for current yield and more facts.

Call Toll-Free 800 225-6190

In Massachusetts call collect 617-523-1919

*A portion may be subject to state or local taxes.

FIDELITY TAX-EXEMPT MONEY MARKET TRUST P.O. Box 832, Dept. JB 051280 82 Devonshire St., Boston, MA 02103 10

For more complete information, including fees and expenses, please write or call for a prospectus. Read it carefully before you invest.

Name

Organization Tel

Address

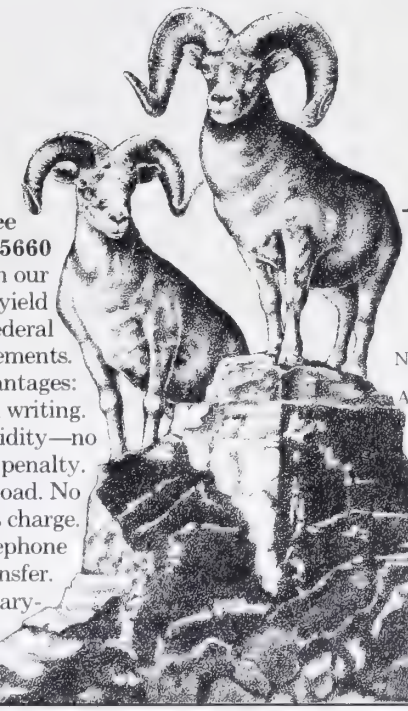
City State Zip

☐ Personal ☐ Business ☐ Institutional

Fidelity Group Over $6 billion of assets under management.

Money Market Yields.

(with only $1,000.)



Call toll free 1-800-638-5660 to learn our current high yield under Federal Reserve requirements. Plus these advantages:

- Free check writing.
- Quick liquidity—no withdrawal penalty.
- No-Load. No sales charge.
- Toll-Free telephone redemption/transfer.

If busy, or in Maryland, call collect 301-547-2308.

A6

Rowe Price Prime Reserve Fund II
100 E. Pratt Street
Baltimore, Maryland 21202

Name

Address

City

State Zip Code

For more complete information, including management fee and other charges and expenses, obtain a prospectus. Read it carefully before you invest or send money.

A falling market and a rising dollar usually make Europeans hunger irresistibly for American stocks. Not this time.

THE VIEW FROM THE OTHER SIDE

By Srully Blotnick

STOCK PRICES, on balance, have gone down in the last few months, and during the same period the American dollar, on balance, has increased in value relative to a basket of European currencies. Traditionally, that is a combination that makes European investors hunger irresistibly for U.S. stocks. After all, they get a double bang for each buck: The stocks they buy increase in price *and* the worth of each dollar investment they have increases, relative to their own currencies. So, Europeans have been enthusiastic buyers of American stocks lately, right?

Not this time. Treasury obligations, yes. Stocks, no. "How come?" I asked 181 seasoned European investors during a recent trip. The answers given most often were as follows:

First: "Your country is drifting toward war."

"Why do you say that?" I asked.

They replied that "few Americans recognize that Khomeini is a fanatic, a lunatic, one who is willing to destroy himself and his country. You Americans always assume that world leaders are *reasonable*. Your belief that a peaceful solution can be reached is based on the reasonableness you think you see. But in some cases it isn't there, especially this time. You insist on 'playing by the rules' with a man who has none."

"If there is a war," I asked, "wouldn't that be good for the U.S. economy? There are a considerable number of American investors who feel that it would be."

"No," they answered. "Unless your government is willing to impose wage and price controls, conflict would increase your already high inflation rate. It doesn't appear that Carter is prepared to impose controls.

"It is true," they added, "that war would probably harm Europe more than it would hurt the U.S. Any conflict in the Mideast is likely to disrupt our oil supplies—and our economies—substantially."

I then asked: "Doesn't that make U.S. stocks relatively attractive?"

"In some ways, yes," they said. "But Treasury obligations are still preferable just now, in case we need the funds here."

Besides war, the issue foremost in the minds of the majority was inflation. I asked: "Suppose there is no war. How would your view of U.S. equities change?"

Their reply was: "Even if the U.S. doesn't become involved in military conflict, your inflation rate is going to remain high."

I commented that most American economists are predicting a decrease in the rate of inflation by the third or fourth quarter of this year. "Do you not agree with that view?" I asked.

"No," they said, "we don't."

I then asked: "Assuming that the time to buy had already arrived, which stocks would you find most attractive?"

"There are two groups of stocks that we'd *not* buy," they responded. "The housing and auto stocks."

"Why not?" I asked. "Both areas—housing and auto sales—have participated in every business cycle recovery. Won't they do the same again?"

"Yes, but not as profitably," was the reply. "The sales will be there, but the earnings won't be. There will be special difficulties faced by both industries this time which will make a return to traditional margins of profit impossible."

"What kind of 'special difficulties'?" I asked.

"Foreign auto companies—particularly the Japanese, but European companies, too—have gotten hold of a much larger portion of your domestic car sales than anyone thought they would. In any event, the very strength in the dollar, to which you referred before, will keep foreign autos attractively priced to American buyers and, at the same time, make the stocks of U.S. auto companies unattractive."

"Also," they continued, "your car companies are counting on their own sales abroad to help them during a rebound, yet Europeans may be ending their postwar love affair with the auto much faster than you suspect. This time, many of the customers you will be waiting for won't be there. They may look—and even admire—but will they buy? We don't think so.

"Similarly, the cost of new housing, and of new mortgages, will remain very high for an extended period. That will have a *prolonged* dampening effect on the housing stocks."

I asked: "What stocks, then, will you be interested in, once you *are* ready to buy?"

"The computer industry is our first choice," they replied, "but *not* IBM. Again, it has too many 'special problems.' We think this is an industry that is going to surprise everyone in its growth rates in the next ten years. Moreover, it will be the larger, better-established companies, not the smaller ones, which will do best. It is now a very expensive business to get in and to stay in."

The stocks they selected, listed in descending order of preference, were: Honeywell, Burroughs and Digital Equipment.

"Why is Honeywell your first choice?" I asked.

"Because if it—instead of IBM—were broken up into smaller pieces, the many companies it contains would sell for much more than the parent stock presently does. And that will be all the more so when the economy rebounds."

The second most favored group targeted by the largest number for future purchases were, in descending order: Caterpillar Tractor, Deere and International Harvester.

They cited a few energy issues, but the third group was the drug stocks: specifically, Lilly, Merck and Pfizer.

The fourth group was a surprise: the liquor stocks, Heublein, National Distillers and Hiram Walker.

"Why drugs and distillers?" I asked.

They answered: "War or no war, we think people will sit around and worry—and drink—more." ■

Dr. Srully Blotnick is a practicing psychologist and author of Winning: The Psychology of Successful Investing.

FIVE BUSINESS ANALYSTS ANALYZE OUR BUSINESS.

"Barnett, in our opinion, is still the premier Florida bank holding company..." Alex. Brown & Sons January 1979

"Barnett is the best positioned Florida bank holding company and has the best geographical diversification in the state..." The First Boston Corporation January 1979

"...Barnett has the most geographically diverse and extensive network of the Florida bank holding companies." Shearson-Loeb Rhoades March 1979

"The appeal of this company extends beyond its structure to its excellent management and location in one of the premier growth states in the nation." Bache Halsey Stuart Shields Incorporated-May 1979

"The Company has the most thorough market penetration of any Florida bank holding company, with statewide offices servicing markets accounting for 88% of the state's population." The Robinson-Humphrey Company, Inc June 1979

IF YOU'RE INTERESTED IN KNOWING MORE ABOUT BARNETT BANKS OF FLORIDA, FOR EITHER YOUR COMPANY OR YOURSELF, JUST CONTACT CHARLES E. RICE, PRESIDENT, BARNETT BANKS OF FLORIDA, INC., 100 LAURA STREET, JACKSONVILLE, FLORIDA 32202. AND FIND OUT WHY WE'RE THE MOST TALKED ABOUT BANKS IN FLORIDA.

Barnett Bank

All Barnett Banks are members of FDIC

Take Common Stock in the '80's.

Investors are now taking a hard look at common stocks as the investment vehicle of the '80's. And the thought that real values can be missed by overemphasizing timing and cycles.

We at Penn Square think this makes sense. After all, it's what we've been saying for 23 years.

For more information, including management charges and expenses, write or call us for our prospectus. Read it carefully before you invest or send money.

800/523-8440
In PA, call collect. 215/376-6771

Penn Square Mutual Fund
5TH & WASHINGTON STS., PO BOX 1419, READING, PA 19603

Name _____

Address _____

City _____ State ____ Zip ____

23 years of investment experience
Over $140,000,000 in assets

Heart Disease dies with the patient **Huntington's Disease** kills on and on and on.

NATIONAL HUNTINGTON'S DISEASE ASSOCIATION

Suite 501, 1441 Broadway
New York, N.Y. 10018
212-966-4320

OWN YOUR OWN

MONEY BUSINESS

"BECOME A FINANCIER"

UTILIZE OVER 2,000 SOURCES OF CAPITAL

Ideal for executive type person. Operate from your own dignified professional office. Clients come to you for Business Capital Assistance. Must be sincere with a well-rounded business background. Instant Hi income potential for right person.

$18,000 CASH REQ.

Call Mr. Van (213) 463-4841
or write: Computer Capital Corp.
Dept. 5, 6922 Hollywood Blvd.
Los Angeles, CA 90028

Since the national mood turns gloomy, and conventional wisdom urges caution, we overlook recession's opportunities.

IF YOU CAN KEEP YOUR HEAD . . .

By Thomas P. Murphy

A LOT OF COMPANY presidents this year will end their annual speech to the sales force with words that go something like this:

Realism. "We all know this is going to be a tough year in the economy."

Inspiration. "But it's going to be a great year for XYZ because you salespeople are going to sell harder."

Truth. The president is scared stiff. He had the new product catalog printed in black and white, while last year it was done in four-color. He has screwed down credit so tightly that the salespeople figure they will lose 10% of their accounts. As for their selling harder, they will try, for a while. Their living standard depends on it. But after hearing so many "noes," when the pitch used to get "yeses," spirits flag, and salespeople are notorious for sitting out recessions—on somebody's payroll.

Recessions tend to have a paralyzing effect. Every instinct is to hunker down, play it safe and wait and see. Since the national mood turns gloomy, and conventional wisdom urges caution, we overlook recession's opportunities. Yes, opportunities.

Vocabulary is part of the problem. Recession is one of those words that can send the fingernails deep into the palms—bankruptcy, failure, ruin, poor old Uncle Ned in 1930, poor Cousin Fred in 1974! Use a different word, call it discontinuity. Recession then becomes easier to address rationally. A discontinuity is a break with the past, and relationships change rapidly and sometimes radically. Capital, for instance, was relatively cheap and plentiful six months ago. Now it is harder to find and very expensive. The game has changed, which means that the marbles are on the table again. They are up for grabs.

Go back to my example of the company president. The story isn't fable. I know the fellow. In his concern about credit risks, he has walked away from 10% of his company's business, even though he has plenty of cash to carry the credit and its risks. What he has done is hand over one-tenth of his business to competitors and created for them an early opportunity stemming from recession. The credit risks he fears, I should add, are manageable with close monitoring. There will be some losses, but that could be made up by higher prices, and companies that accept this business will find themselves with loyal customers. We don't forget the people who helped us in hard times.

As I noted in my FORBES column of Nov. 26, 1979, changing personnel is another opportunity recession hands to us. Weeding out the low performers is difficult when things are going well and most companies just don't do it. There is somehow a conflict between prosperity and firing some poor devil. Recession makes it easier. Everybody understands we have to tighten up when prospects look threatening. It may not be nice, but it is acceptable and recessions trigger about the only pruning some companies ever do.

It is also much easier to hire good people during a recession. Some very good people get laid off through no fault of their own. Others become discouraged when they see management running scared and perceive their own futures as threatened. Could you hire some of the best people at XYZ right now? Darn right you could. Management's fears have percolated through the ranks.

As for capital and interest rates—for they are the cutting edge of modern recessions—the situation is not as bad as it seems. While some of the banks are getting tapped out and fussy

Thomas P. Murphy heads a venture capital firm, Partnership Dankist, Stamford, Conn.

WHY WE HAVE CHANGED OUR NAME.

NATURAL GAS

COAL

OIL

EXPLORATION AND DEVELOPMENT

UTILITY OPERATIONS

NATURAL GAS PIPELINES

PROPOSED PIPELINE *(TRAILBLAZER)*

COAL GASIFICATION

OIL & GAS BASINS

OVERTHRUST BELT

PROPOSED LNG TERMINAL

Peoples Energy Corporation

(FORMERLY PEOPLES GAS COMPANY)

Natural Gas Pipeline Company of America • Texoma Production Company
The Peoples Gas Light and Coke Company • Harper Oil Company • Industrial Fuels Corporation • North Shore Gas Company
For further information write: Peoples Energy Corporation, 122 South Michigan Ave., Chicago, IL 60603

Why is an executive from Procter & Gamble making gumball machines?

Believe it or not, Procter & Gamble encourages their executives to help develop products like gumball machines, buster blocks and funky chickens.

It's part of their participation in Junior Achievement. And JA companies are just as serious about business as Procter & Gamble.

With the help of an adviser, they draw up a company charter. Elect officers. Sell stock. And, once a product is chosen, they produce, promote, sell and turn in a profit.

But there are more valuable gains than dollars and cents.

Ask any JA adviser.

He's seen the shyest boy in the group become a top salesman. He's watched the girl who could barely balance the books map out a brilliant financial plan. And he's shared the enthusiasm, commitment and the real sense of pride these kids feel creating a company of their own.

Both large corporations and small businesses are proud to participate in Junior Achievement. We're listed in your local white pages so call us and join. You'll be doing a lot more than just making gumball machines.

A little pride will go a long, long way.

JA – A DIVISION OF JUNIOR ACHIEVEMENT INC

about whom they will lend to, the commercial finance companies still have money. According to David A. Silver, the New York investment banker, so do some of the government lending agencies. One that he cites is the Farmers Home Administration whose lending is not confined to farmers but to a variety of companies in legally defined "rural" areas. And the government agencies tend to weigh in as countercyclical lenders when private money dries up. Furthermore, they would hate this year to end with a dime in their coffers, for Congress would never understand why they had not loaned everything during a credit crunch. Very likely budgets for next year would be cut.

Venture capitalists are another potential source of capital. They took down far more money last year and the year before than they have been able to invest, and many of them have been sitting with CDs that yield 17% while they look at deals. Their investors are getting restless. Who needs a venture capitalist to buy CDs? So some venture people are under pressure to make deals now.

I will grant that interest rates are sky-high. You would have been jailed in the past for charging them. Nevertheless, 20% money is only expensive when you can't make 25% with it. If you can, and recession sometimes creates those kinds of opportunities, then it is a bargain.

The ultimate bargains, though, tend to be in the stock market itself. Increasingly, I view the stock market as a mirror of the economy—a fun-house mirror—that no matter how you turn it can reflect only distortion. The process has already begun. While the Dow industrials have fallen 6.3% from six months ago, the NASDAQ o-t-c composite is down 13.3%, and many of the smaller companies' stocks are down much more than that. Smaller companies do not necessarily fare worse than large ones in a recession, but you will never convince the stock market of that.

Indeed, in my skepticism, I had originally contacted XYZ because I suspected its CEO was deliberately crying wolf in order to depress the stock so that he could buy back more of it. It seemed adequately depressed already, down 50% from December and at less than half of book value. That sly fellow, I figured, is taking advantage of these recession fears.

Wrong. He really is running scared, which is why there are real opportunities in a recession. ■

A Performance Report from
White Consolidated Industries

WCI

Seven consecutive years of record sales and earnings. Our first $2 billion year. Plus, an optimistic look at 1980 and beyond.

In 1979, White Consolidated recorded its seventh consecutive year of record sales and earnings. It was an outstanding year which capped a most challenging but equally rewarding decade.

The period 1970 through 1979 saw sales grow from $700 million to more than $2 billion. It saw our net income reach a level of more than $75 million.

Where We Are Today: In Consumer Products:

During the past decade, we have become the third largest manufacturer of major home appliances in the United States. Our brand names are well known indeed: Frigidaire, Kelvinator, Gibson and White-Westinghouse. We are also one of the largest private label manufacturers in the United States.

...and In Industrial Products.

At the same time, we have become a major supplier of capital equipment and other industrial and commercial products such as steel mill and foundry machinery; machine tools; valves and controls; road building machinery; and printing equipment. In the industrial marketplace our product names are equally well known: Blaw-Knox, Bullard, White-Sundstrand, ATF-Davidson, and Copes-Vulcan, to name but a few.

Because we are a major factor in both the consumer and industrial marketplaces, we have built exceptional balance and stability. These factors have not only guided us through the uncommonly difficult economic times of the 70's, but also give us great promise for the coming decade.

Our Outlook For The 80's.

For example, even in the face of a decline in new housing starts, industry sources indicate there is an existing appliance population of more than 350 million units. Within the next few years, we expect a substantial percentage of these units will be replaced. The replacement market has always been the major part of our appliance business.

On the other side of the coin, the estimated industry backlog for machine tools alone is valued at more than $5 billion. Our own existing machine tool backlogs are adequate to fill our manufacturing schedules throughout all of 1980 and well into 1981. And, new orders plus current backlogs for others of our industrial products are also impressive.

We look forward to the coming years with optimism. We have an experienced management team in place. We have both financial and marketing strengths. And, we have a commitment to carefully programmed growth.

I'd be happy to send you our new Information Kit which provides an in-depth look at our company. Please address your inquiries to me personally.

Sincerely,

R H Holdt

Roy H. Holdt
Chairman and
Chief Executive Officer

White Consolidated Industries, Inc.
Cleveland, Ohio 44111

White Consolidated Industries, Inc.
Consolidated Condensed Statement of Income

	Year Ended December 31	
	1979	1978
Net sales	**$2,010,114,000**	$1,655,979,000
Income before income taxes and extraordinary item	**$ 116,572,000**	$ 101,169,000
Income taxes	**53,650,000**	46,651,000
Income before extraordinary item	**62,922,000**	54,518,000
Extraordinary item*	**12,783,000**	—
Net income	**$ 75,705,000**	$ 54,518,000
Net income per common share:		
Based on average shares outstanding:		
Before extraordinary item	**$4.87**	$4.33
Extraordinary item*	**1.08**	—
Net income	**$5.95**	$4.33
Assuming full dilution:		
Before extraordinary item	**$4.39**	$3.82
Extraordinary item*	**0.94**	—
Net income	**$5.33**	$3.82

* Results from refund of 1971 taxes paid plus the after tax effect of interest applicable to prior periods.

REAL ESTATE

COLORADO
RANCHES, FARMS AND MOUNTAIN LAND

RANCHES: *1,120 pretty deeded ac adjoins Nat'l Forest-350 ac irrig. w/good wtr rts, summer 500 yrlings, 7% financing. $672,000. *9,500 scenic ac ½ way bet Vail & Stmbt Spgs, lg leases, summer 1,800 yrlings. Good owner financing possible. $3,000,000.

FARMS: *700 ac deeded-610 ac lease, 450 irrig-in corn, beets, alfalfa + run 80 head cows. 6-7½% financing avail. $800,000.
*145 deeded ac with creek, 60 ac farmed in corn & hay, very good development potential, $377,000.

MOUNTAIN LAND: 35+ ac parcels, some water, some tree cover, some adjoins Nat'l Forest. Larger & smaller parcels.

And there's more! ORR LAND COMPANY can help meet **your** ranch, farm, investment & recreational needs in real estate.

ORR LAND COMPANY
4455 Harlan Street
Wheat Ridge, CO 80033
(303) 424-5010

TAHITI

Twin Tahitian houses, a seafront home, a hilltop home, 35 miles from Papeete, on Tahiti, Iti . . . Paradise setting, 7½ + acres, formerly Zane Grey's fishing camp, available for immediate occupancy. Offered at $350,000 U.S., fully equipped.

Box A191 Forbes
60 Fifth Avenue
New York, NY 10011

FREE CATALOG

Big . . . Free SUMMER 1980 Catalog describes and pictures more than 2,700 farms, ranches, acreages, recreational properties, businesses, town and country homes in 43 states coast to coast! Please specify type and location preferred.

UNITED FARM AGENCY
612-Y W. 47th Street
Kansas City, MO. 64112

REAL ESTATE

Treehouse

Assemble This Unique Home
In A Few Weeks
For Price & Construction
Package Information Send $4.00 To:

Topsider Homes
P.O. Box 849 F
Yadkinville, N.C. 27055
919-679-6846

HILTON HEAD ISLAND, S.C. OCEAN FRONT VILLA

$6400 DOWN
$63,900 FULL PRICE
Fully furnished
OCEAN FRONT VILLA
on Hilton Head Island.
90% Financing.
CALL COLLECT
(FW 14) **803-785-8666**

FLORIDA LAND

In Horse country (near Ocala): 1100 acres, irrigated soy beans, corn, vegetable farmland with 2½ miles paved frontage.

On St. Johns River: 30,000 acres undeveloped land, 18 miles east of Orlando, between State Roads 46 & 50. Contact owner:

NORRIS COMPANY
P.O. Box 1088, Ocala, Fla. 32670
(904) 622-7151

** LAND WANTED **

10,000 acres or more in the Sunbelt with attractive natural amenities—lakes, trees, streams, mountains, etc.

Box A189 Forbes
60 Fifth Avenue
New York, NY 10011

HOW TO ADVERTISE IN FORBES CLASSIFIED

REGULAR CLASSIFIED LISTINGS: All listings are accepted at the discretion of the Publisher. Line rate is $20.75. Minimum size ad is one inch (14 agate lines) costing $290.50. FORBES will typeset without charge.

DISPLAY CLASSIFIED ADVERTISING: Line rate is $20.35. Minimum size for display is two inches (28 agate lines) costing $569.80. Must be submitted as film negative or camera-ready mechanical to size. For specific requirements send for order form.

Box numbers provided on request. There is no charge for mailing service on blind ads.

FORBES CLASSIFIED is published in the first issue of each month. Advertising closing date is one month preceding date of issue.

Frequency discounts available. Payment must accompany order unless from accredited agency.

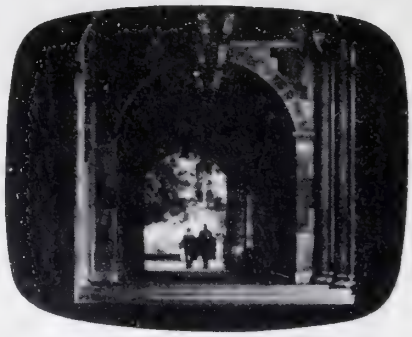
FOR ADDITIONAL INFORMATION WRITE OR CALL:

SARAH MADISON
FORBES CLASSIFIED
60 FIFTH AVENUE/NEW YORK, NY 10011
(212) 620-2371

Forbes: Capitalist Tool®

One out of every 7 FORBES subscribers is a millionaire

The colleges are in deep financial trouble.



They're having to drop courses, fire professors, close laboratories and limit libraries.

They desperately need your help. So give them a hand today . . . for a better tomorrow.

CFAE Council for Financial Aid to Education Inc
680 Fifth Avenue New York N Y 10019

Ad Council A Public Service of This Magazine & The Advertising Council

Make America smarter.
Give to the college of your choice.

INVESTMENTS

llectors & Investors

Original Lithographs Signed and Numbered Limited Editions

Stein, Corelli, Zarou, Alvis, Lambert
nany more contemporary artists. Send
r full color portfolio catalog of
dual 5 x 7 quality reproductions.
action guaranteed. **Monroe Trading**
pany, 522 21st Street, N.W., Suite 210,
ington, D.C. 20006. Credit card orders:
785-2310

AVEL/HOTELS/RESORTS

DRIVEN BIRD AND WALK-UP SHOOTING

ited Kingdom, Hungary, Spain.
ouse/Partridges/Pheasants
August-December 1980
mon/Sea Trout
June-September 1980
gs
August-October
vate Homes or
tel Accommodation.
ly Major Neil Ramsay, Farleyer,
Aberfeldy, Scotland PH15 2JE
bles—Grousalder Telex 76371

SCELLANEOUS FOR SALE

ENUINE GEMSTONES AND JEWELRY

Free wholesale catalog.
Satisfaction guaranteed!
mber Jewelers Board of Trade,
Chamber of Commerce
HOUSE OF ONYX
No. 1 MAIN ST.
REENVILLE, KENTUCKY 42345
. FREE SERVICE 1-800-626-8352

EXECUTIVE SERVICES

IECKTIE NARROWING

Wide Ties Recut & Reshaped
o the new Narrower Look—
$4.50 per tie (4 tie minimum).
end for free tie mailer or mail
irect. Satisfaction guaranteed.
ROBLIN TIEMASTER
190E Glen Cove Avenue
Glen Cove, NY 11542

COURSES/SEMINARS TRAINING PROGRAMS

LAW STUDY THROUGH CORRESPONDENCE —
Qualify to become an attorney
in some jurisdictions.
For free information
phone toll free 1-800-423-4530
Cal. res. phone 213-795-5558
r write: **Southland University,**
69 North Catalina,
ept. H3, Pasadena, CA 91106.

WINES

elewine Inc.
"Wines by Wire"
2)685-2100

you can now WIRE WINE & CHAMPAGNE coast-to-coast TOLL FREE 800-223-2650

CAPITAL & INVESTMENT OPPORTUNITIES

FREE GOLD AND SILVER INVESTMENT INFORMATION

For complete information, our latest recommendations and a copy of our corporate brochure call toll-free
1-800-327-6991,
or write
Bengal Trading Corp.
Dept. F102
1556 E. Commercial Blvd.
Ft. Lauderdale, Fla. 33334

OWN A BIT OF SCOTLAND
Invest in bulk Scotch Whisky in barrels lying in bonded warehouses in Scotland.
To obtain a prospectus, call toll-free 1-800-824-7888
California 1-800-852-7777
(ask for Oper 950)
THE HIGHLAND MALT LTD
P.O. Box 6630
Santa Barbara, CA 93111
(805) 964-8795

CAPITAL TO INVEST

CREATIVE FINANCING

Financial guarantees
Irrevocable letters of credit
Funds to open escrows
Standbys-Takeout-Permanent loans
Real estate or venture capital
BROKERS PROTECTED
SEND PACKAGES TO:
BANCOR LTD.
567 San Nicolas Dr. Suite 206
Newport Beach, CA 92660
714/640-1633

100% FINANCING AT 9%

May be possible with revenue bonds. Industrial, warehousing, motels, health care, others. Brokers protected. Send complete package.
Diversified Resources Inc.
Box 5564
San Mateo, CA 94402

FORBES BINDERS

SLIP CASES OR BINDERS

for a year of **Forbes** magazine.
In red and gold leatherette.
Slipcases: $4.95; three for $14
Binders: $6.50; three for $18.75
Send check with your name and address to:
Jesse Jones Box Corp.
Dept. FB, P.O. Box 5120
Philadelphia, PA 19141

BUSINESS CONNECTIONS

ARAB BUSINESSMEN HAVE MONEY TO BUY & INVEST

Top Finders Fees Paid
Finders Inquiry Invited
Write Box A190 Forbes
60 Fifth Avenue
New York, NY 10011

BUSINESS OPPORTUNITIES

(Advertisement)

$105,000 Cash Paid Oil Lease Winner in U.S Gov't. Lottery!

Winners Collect Millions$$

New York, N.Y. (Special) Robert E. Bennett of Rhode Island wrote to us for free information and entry cards on the U.S. Gov't. Lottery for Oil & Gas Lease Rights, and the third time he entered he won! Collected $105,000 cash for rights to his parcel. PLUS he also will collect royalty payments for all oil pumped from the land. You too could be a big winner in this little-known U.S. Lottery. Millions of dollars have been paid for leases—hundreds of winners every month. Any U.S. citizen age 21 or over can enter for a tax-deductible $10 government fee. For FREE REPORT, Official Entry Cards, Parcels to be drawn, write to: Energy Group of America, 3308 Empire State Bldg., Department FOR050, New York, NY 10001.

PREDICTIONS on where the big money will be made in the 1980s, and how you can get in on the ground floor! Details free in revealing 60-page special report. AEA, Suite B724, 2311 Pontius, Los Angeles, CA 90064.

INCORPORATE in Tax Free Nevada!
(Beats the pants off Delaware)

Nevada offers the best tax advantages of all 50 States! You owe it to yourself, business, & your family to send for these FREE exciting facts . . .
Corporate Agents of Nevada, Inc.
1009 N. Curry St. (Suite 7-F)
Carson City, Nev. 89701 (702) 883-2174

WIN BIG OIL MONEY

Plus Tax Benefits

The U.S. Government sponsors a little-known oil and gas lease drawing. If you are 21 and a citizen you can compete for a fortune in oil. A $25 (tax deductible) filing fee could bring you $100,000 immediately, plus possible payments. For free information Call Toll-Free 1-800-525-2541, Ext. 8, in Colorado Call Collect 1-447-1399, Ext. 8. Or Write
F. Milligan, inc.
1942 20th St., Drawer 3408FM,
Boulder, CO 80307

AUTOMOBILES

SAVE $$$$ ON NEW 1981 CARS

Buy at Detroit prices—save on freight too! Full factory warranty. Specializing in Cadillac, Pontiac & Olds, including Diesel models. For quote, mail make & model to:
BONDED BROKERS
2547 S. Monroe Blvd.
Dearborn, Michigan 48124
Phone (313) 565-5577

ROLLS ROYCE
"Before you buy any Rolls Royce" call
GLADDING ROLLS ROYCE CO.
Baltimore, Maryland
Factory authorized dealer since 1965. Open 7 days a week
Call (301) 761-9393:
(301) 987-0072 Sundays.

BUSINESS SERVICES

KING OF 800's
A NATIONAL TOLL FREE ANSWERING SERVICE
100 calls per mo for $25 per mo
Call toll free for information
The store that never closes
1-800-327-9009
"TOLL FREE AMERICA INC"

BUSINESS OPPORTUNITIES

its your **Move**

Be a Professional Business Counselor. Provide Independent business Owners with needed Management Counseling Service, National Endorsements. Average investment of $15,000-$20,000 includes exclusive territory, complete training, initial supplies, operations manuals. Join the pioneer company with 28 years experience and 200 offices nationwide. Some areas available with existing clients. The next move is yours.
Write — or call **TOLL FREE**
1-800-231-2734
(Texas call collect 713-683-9918)
MARCOIN, INC.
7887 Katy Freeway Houston, Tx. 77024
Active participation required.

WIN BIG OIL MONEY
$10 PER FILING*

***Special Offer**
One filing per family
To introduce you to this great U.S. program

The U.S. Government each month sponsors a little-known Oil Lease Drawing. If you are 21 and a citizen you can compete with the Oil Companies for this Federal land. A **$10.00** (Tax Deductible) fee could bring you as much as $100,000 immediately plus future payments

Call for Free Brochure,
1-800-327-6991 (Toll Free)
OIL & GAS CORP. OF COLORADO
Dept. F-6, 1681 Kennedy Causeway
No. Bay Village, FL 33141

FINANCIAL BROKERS NEEDED

Lucrative, Prestigious Opportunities now available. Work your own hours. No experience necessary. National Company will assist. Also, financing is available for all worthwhile projects at competitive rates. Free Details:
D.F.C. Corporation
Dept. 43-G-5 1145 Reservoir Avenue
Cranston, Rhode Island 02920

"THE GOVERNMENT OIL LOTTERY"

Investigate before you invest in the Government Oil and Gas Lottery. Make an intelligent decision based on research. Evaluate the risk. Determine your odds of success. For information on filing fees and other costs send a check or money order for $2.50 to: **P.K. Malone,** 2636 Royal Crest Drive, Escondido, CA 92025.

EXECUTIVE GIFTS

TRS-80 COMPUTERS

As a Radio Shack® Authorized Sales Center owned & operated by Pan American Electronics, Inc., we can sell them for less. *No taxes* collected on out-of state shipments. *We pay* shipping & insurance.
TOLL FREE 800/531-7466
Texas & Main No. 512/581-2765
1117 Conway, Mission, Texas 78572

Thoughts on the Business of Life

The future of society is in the hands of the mothers. If the world was lost through woman, she alone can save it.
LOUIS DE BEAUFORT

If a man be endued with a generous mind, this is the best kind of nobility.
PLATO

Mighty proud I am that I am able to have a spare bed for my friends.
SAMUEL PEPYS

We cherish our friends not for their ability to amuse us, but for ours to amuse them.
EVELYN WAUGH

Let us open up our natures, throw wide the doors of our hearts and let in the sunshine of good will and kindness.
ORISON SWETT MARDEN

The only thing that a man may do that is new is to write himself upon human hearts.
VACHEL LINDSAY

One never finds life worth living. One always has to make it worth living.
HARRY EMERSON FOSDICK

All our lives we are putting pennies—our most golden pennies—into penny-in-the-slot machines that are almost always empty.
LOGAN PEARSALL SMITH

Whenever one finds oneself inclined to bitterness, it is a sign of emotional failure.
BERTRAND RUSSELL

In order to love others with genuine charity, I must be true to them, to myself and to God.
THOMAS MERTON

The human being who lives only for himself finally reaps nothing but unhappiness. Selfishness corrodes. Unselfishness ennobles, satisfies. Don't put off the joy derivable from doing helpful, kindly things for others.
B.C. FORBES

The happiness of life may be greatly increased by small courtesies.
LAURENCE STERNE

Our opportunities to do good are our talents.
COTTON MATHER

To cultivate kindness is a valuable part of the business of life.
SAMUEL JOHNSON

Seek not happiness too greedily, and be not fearful of unhappiness.
LAO-TZU

You may take my happiness to make you happy, even if you never know I gave it.
EDMOND ROSTAND

A mother needs fortitude and courage and tolerance and flexibility and patience and firmness and nearly every other brave aspect of the human soul.
PHYLLIS MCGINLEY

More than 3,000 "Thoughts," indexed by author and subject, are available in a 574-page book at $11.95. Send check and order to: Forbes Inc., 60 Fifth Ave., New York, N.Y. 10011. Add appropriate sales tax on New York State orders.

I think it must somewhere be written that the virtues of mothers shall be visited on their children, as well as the sins of the fathers.
CHARLES DICKENS

People are lonely because they build walls instead of bridges.
JOSEPH F. NEWTON

You get more joy out of giving joy to others and should put a good deal of thought into the happiness that you are able to give.
ELEANOR ROOSEVELT

Happiness is like coke—somethin you get as a by-product in the process of making something else
ALDOUS HUXLEY

A Text . . .

He that giveth, let him do it with simplicity; he that ruleth, with diligence; he that sheweth mercy, with cheerfulness.
ROMANS 12:8

Sent in by Cass Legal, Aurora, Colo. What your favorite text? The Forbes Scrapbook Thoughts on the Business of Life is presente to senders of texts used.

Man, unlike the animals, has never learned that the sole purpose of life is to enjoy it.
SAMUEL BUTLER

Be charitable and indulgent to everyone but thyself.
JOSEPH JOUBERT

Shall we make a new rule of life from tonight: Always try to be a little kinder than is necessary.
JAMES M. BARRIE

Send for free Annual Reports, Product/Service and Area Development information

The FORBES advertisers listed below want you to know more about them. FORBES makes it convenient for you to obtain this information by using the postage-paid, self-addressed card at the bottom of this page.

Simply circle the numbers on the card which correspond to the advertisers listed below from whom you would like to receive more information.

Print or type your name and address on the card, detach it and drop it in the mail.

FORBES will process your requests and deliver them to the appropriate companies who will mail the information directly to you.

Note: Advertisers designated with a (*) will honor only those requests which include company name and title.

Annual Reports

1. ARA Services, Inc.
2. Alexander & Alexander Inc.
3. American Electric Power Company, Inc.
4. Avco Corporation
5. Barnes Group Inc.
6. Barnett Banks of Florida
7. Charter Company
8. City Investing Company
9. Continental Telephone Corporation
10. Crum & Forster
11. John Deere
12. Diamond International Corporation
13. Gould Inc.
14. W.R. Grace & Co.
15. Frank B. Hall & Co., Inc.
16. ITT Grinnell Corporation
17. IU International
18. Ingersoll-Rand Company
19. Keene Corporation
20. Liggett Group
21. MAI Management Assistance Inc.
22. Mapco Inc.
23. The Marley Company
24. National Gypsum Company
25. Pennwalt Corporation
26. Peoples Energy Company
27. Pullman Incorporated
28. The Scott & Fetzer Company
29. Sperry Corporation
30. United Energy Resources, Inc.
31. Wang Laboratories Inc.
32. White Consolidated Industries, Inc.
33. The Williams Companies

Product/Service Information

34. All-Steel Inc.
35. American Appraisal
36. American Gas Association, Inc.
37. American Hoechst Corporation
38. Atlantic Container Line
39. BMW of North America, Inc.
40. The Bankers Life
41. Bell Helicopter
42. Boeing Computer Services, Inc.
43. Brock Exploration Corporation
44. Burroughs Corporation
45. Butler Mfg. Co.
46. CNA Insurance
47. Canon USA, Inc. Electronic Calculators
48. Coca-Cola Company
49. Computer Capital Corporation
50. Deloitte Haskins & Sells
51. Fidelity Tax-Exempt Money Market Trust
52. ★ General Electric Credit Corporation
53. The Gold Coins of Mexico
54. W.R. Grace & Co.
55. ★ Heery Associates, Inc.
56. ★ Hospital Corporation of America
57. ★ Hyatt Lake Tahoe Resort Hotel & Casino Convention Department
58. INA Corporation
59. ITT Grinnell Corporation
60. Ingersoll-Rand Company
61. International Gold Corporation Ltd. Krugerrand Coin Division
62. International Monetary Market
63. McDonnell Douglas Corporation
64. MAI Management Assistance Inc.
65. Mack Trucks, Inc.
66. Marsh & McLennan Incorporated
67. Northwestern Mutual Life Insurance Co.
68. ★ Panasonic Company—Video Systems Division
69. Penn Square Mutual Fund
70. Premex Inc.
71. The Prudential Insurance Company of America
72. Randustrial Corporation
73. Reynolds Metals Company
74. ★ Robertshaw Controls Company
75. Rollins Burdick Hunter
76. Rover 3500 Automobile
77. Santa Fe Industries, Inc.
78. Shakey's Inc.
79. Velo-Bind Inc.
80. Victor Hasselblad Inc.
81. Wang Laboratories Inc.
82. Young Radiator Company

Area Development

83. ★ Arkansas Department of Economic Development
84. Commonwealth of Puerto Rico Economic Development Administration
85. Fairfax County Economic Development Authority
86. Georgia Department of Industry & Trade
87. Miami Lakes Properties, Inc.
88. Nebraska Department of Economic Development
89. ★ North Carolina Department of Commerce, Industrial Development Division
90. Omaha Public Power District
91. Philadelphia Industrial Development Corporation
92. St. Louis County

FORBES will process all requests received prior to December 1, 1980

J80

The advertisers listed above will make additional information available to FORBES readers free as noted in their advertisements in this issue. Circle below the corresponding number of each company you wish to know more about.

Name _____

***Title** _____

***Company** _____

Address _____

City _____ **State** _____ **Zip** _____

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38
39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57
58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76
77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92			

Send today for free Annual Reports, Product/Service and Area Development information

(SEE OTHER SIDE)

NO POSTAGE
NECESSARY
IF MAILED
IN THE
UNITED STATES

BUSINESS REPLY CARD

FIRST CLASS PERMIT NO. 131 N.Y., N.Y.

POSTAGE WILL BE PAID BY ADDRESSEE

Forbes

DIRECTORY ISSUE

60 FIFTH AVENUE
NEW YORK, NY 10011

nvent a way to produce power out of thin air.

Gould did it, electrically.

New breakthroughs demand new technologies. And nowhere is that fact more evident than in today's timepieces.

To make the digital watch a practical reality required both a new kind of miniature circuit and a new kind of readout. To make it run required a power source. And because existing button cells had a limited life, Gould set out to make the breakthrough that could add more time to timekeeping.

Gould found it in the air we breathe. And by combining this ordinary, no-cost element with zinc, created a button cell that lasts up to twice as long as those made from the conventional two metal combinations. In watches, hearing aids, calculators and the like.

In the decade of the '70's, electrical solutions like this have helped increase our average annual net earnings by 22.1%, earnings per share 11.5%, and sales by 19.5%.

And when you consider the number of problems still waiting for technology to answer, you can see that our future looks even more rewarding than our past. Gould Inc., Dept. PF, 10 Gould Center, Rolling Meadows, IL 60008.

GOULD

An Electrical/Electronics Company

Are you managing your company's portfolio? Or is it managing you?

ChemSphere℠ Portfolio Management System is the proven answer.

You can analyze portfolio information in the time you now spend just collecting it.

ChemSphere Portfolio Management System takes the information you need and uses a sophisticated software package to literally put it all at your fingertips – quickly and confidentially, 24 hours a day.

Our system takes much less time to provide the information required for investment decisions. And gives you much more time to actually make them.

All the information you need, with all the accuracy you require.

ChemSphere Portfolio Management System has the flexibility to give you whatever information you want – positions, diversity, activity by dealer or instrument, performance over time or compared to indices – in the format you want. All this information is free of human error, and the system automatically creates a complete, accurate audit trail with each transaction you make.

Helping to manage corporate portfolios that range from $30 million to over a billion.

ChemSphere Portfolio Management System has proven itself to the portfolio managers of 19 major corporations. And, if your company's portfolio is worth $30 million or more, it can prove its worth to you.

Let the leader in worldwide cash management make you a leader in portfolio management.

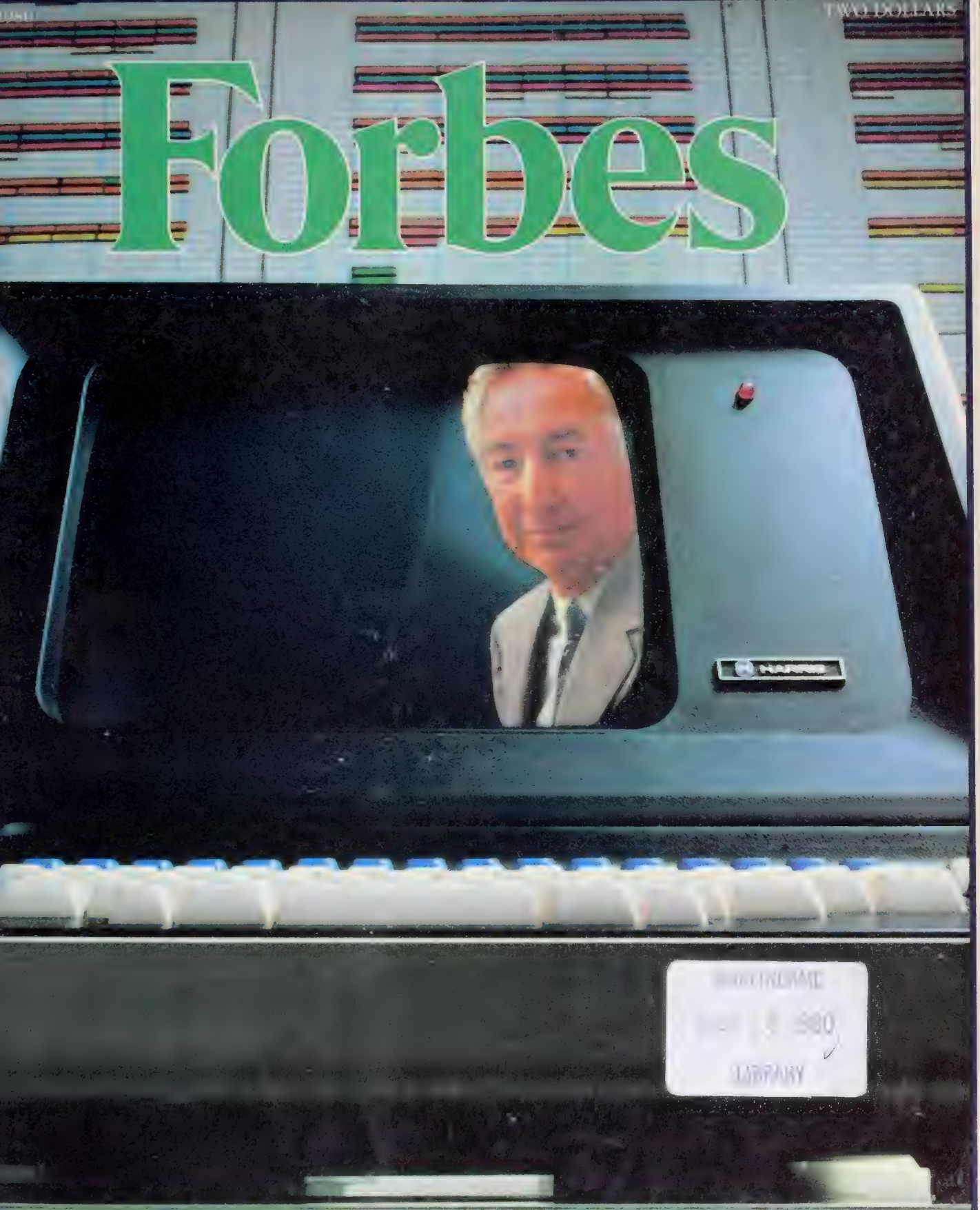
ChemSphere is Chemical Bank's unique combination of services, systems, and people that has made us the leader in worldwide cash management. Mention ChemSphere to your Chemical account officer. Or write W. D. Baird, Jr., Vice President, Chemical Bank, 20 Pine St., N.Y., N.Y. 10005. Or call (212) 770-3600.

CHEMICAL BANK

Leader in worldwide cash management.

TWO DOLLARS

Forbes



BURLINGAME
LIBRARY

HARRIS CORP.'S JOSEPH BOYD

A REMARKABLE SUCCESS STORY

21573353 AP3 NOV08 82
BURLINGAME PUB LIB
BURLINGAME CA 94010

PEUGEOT

505. THE ONLY CAR IN ITS CLASS "THAT MAY STILL BE IN TUNE WITH THE TIMES TEN YEARS FROM TODAY." – Autoweek

The new 505 from Peugeot is truly a car that doesn't require any compromises.

From the sleek lines outside, to the brilliant planning inside, the 505 is designed for today as well as tomorrow.

Everything about the car is built for the driver. The perfectly natural angle of the steering wheel. The expansive windshield that offers you a view of the road instead of a view of the hood.

The appointments are superb.

An international dashboard (with simple symbols rather than words) lets you "read" everything at a glance.

The placement of the controls is so efficient that the driver has merely to gesture, rather than move.

For the driver and his favorite passenger, there are orthopedic bucket seats with back headrests. The seats adjust to any position. The headrests adjust as well.

There is more than enough room —head room, leg room and seat room—for the driver and four passengers. And the kind of interior space that doesn't make you feel like you've been "downsized."

The ride itself is outstanding. Compliments of a European suspension system that protects you from the imperfections of the road. And thanks to Peugeot's patented extra large shock absorbers which soften the bumps.

The handling is effortless. In this case, the tightness of the car lending itself to the ease of the driver. (Power-assisted rack-and-pinion steering helps, of course. So do power-assisted disc brakes on all four wheels.)

The 505 Diesel is equipped with a 4-speed manual transmission and delivers an impressive EPA estimated 35 mpg highway, and an estimated 29 mpg.*

The 505 gasoline version is equipped with a 5-speed manual transmission (combined with a Bosch K-Jetronic fuel injection system) to make it one of the most responsive automobiles you've ever driven.

Add to all that the fact that at Peugeot a car is built, not merely assembled. And tested individually.

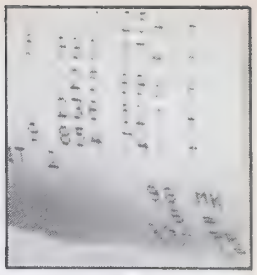
And what you get is a car that isn't just right for ten years from now. It's right for all the years in between.

*Peugeot 505D, manual 4-speed transmission. Remember. Compare the boxed estimate to the estimated mpg of other cars. You may get different mileage depending on how fast you drive, weather conditions, trip length and condition of your car. Actual highway mileage will probably be less than the highway estimate.

PEUGEOT
PROGRESS. NOT COMPROMISE

Olivetti Break-through

The world's smallest electronic printer will never run out of paper, ink or batteries thanks to Olivetti, JS&A and some incredible new technology.



The new pocket-sized Olivetti calculator slides open to unveil one of the most advanced printing heads ever developed.

MAY 14 1980
LIBRARY

t's a major breakthrough. That calculator own above is the most advanced printing culator in the world

SLIP TOP PRINTER

The new Olivetti Logos 9 is only 1" x 2½" x ½"—smaller than many cigarette packages. as a full 12-digit liquid crystal display with d mode and full-floating or fixed position cimal.

To turn the unit into a printer, you simply de up the top of the unit to expose the rld's smallest and one of the most precise nting heads. The printing head prints letters d numbers, identifies each entry and even arly separates groups of three whole mbers for easy readability.

PLENTY MORE

f its size and printing head are break-oughs, so is its paper system. The paper is ded in special cartridges with enough paper r cartridge for 1300 entries. All you do is nply pop a cartridge into the bottom of the t each time you change rolls. It's the most nvenient way ever designed to change a roll paper for a printing calculator

But if you're like most Americans, you'd be icerned about paper supply. Where do you those special cartridges, and how do you ow if you can get them years from now?

That's where JS&A comes in. A 32-roll pply—all you'll ever need for three full years s only $16. That's enough paper for 41,000 ries or approximately 52 line entries each ay for three full years

re important, within one year ores will stock the cartridges, and predict that the Olivetti cartridge will be-me a standard in the industry

NO INK CARTRIDGES

The paper is a new type that looks exactly e conventional paper. But the paper, when uck, leaves a clear sharp image without the e of ink. So there's no messy cartridge quired and no space needed to store one u'll never need ink again.

The rechargeable batteries last for 8,000 es when you use just the printer and 80 s using just the liquid crystal display. The teries can be recharged 500 times, so oretically the batteries should last for 300 s of paper, or more than nine times the life your paper supply. The batteries can also be sily replaced

POWERFUL COMPUTER

The features looked great. The world's smallest size, the paper roll convenience, the no-ink system, the battery life and the large 12-digit liquid crystal display were enough to convince us, but would the new Olivetti be considered a toy? Then we learned about its computational power and features which we feel are better than many of the most professional full-featured printing calculators.

Speed It's the world's fastest small printer with a speed of 2.1 lines per second. The unit also has a buffer so if you enter data faster than the unit, it will still print out each entry.

Memories The Logos 9 has two separate memories. One is an accumulating memory, and the other is a fully independent memory. And the display and printer indicate which memory is on the paper tape.

Printing Head The totally new printing head is a semi-alpha numeric system which labels all entries with letters to indicate the entry. For example LP is list price and CNT means item count.

Clock The unit is so complete, Olivetti even threw in a digital clock function. Your unit will display accurate time when the 12-digit display is not in use.

Gross Margin It automatically computes everything from gross margins to discounts and retail pricing. You just enter your percentage mark-ups in its memory, and it will automatically compute the results while retaining the formula and percentage in memory

Plus More It has automatic round off, letting you select which figure to round off to. You can add a column of figures and then average your calculations automatically. The full-information liquid crystal display will tell you everything from when you're in the printer mode to whether you have something in memory and in which memory.

The technological breakthroughs in the Logos 9 were possible because Olivetti was able to eliminate the many interface components between the integrated circuit and the printing head. This was all made possible because Olivetti designed the entire system, not just a few of the components as is the case with most calculators.

So there it was. Great features, great convenience and great value for only $89.95 complete with batteries, charger and 90-day limited warranty. For $16 more, you can get 32 cartridges—all the paper you'll ever need for three years or for $10 more you can get 16 cartridges. So impresed are we with the Olivetti Logos 9 that we are making the following offer:

FREE TRIAL OFFER

We urge you to test the Olivetti Logos 9 now Order one for our 30-day no obligation trial. See the clear and easy-to-read paper tape and display. Use it as a pocket calculator, and carry it in your briefcase wherever you go. Experience the convenience of always having a printing calculator there whenever you need a permanent record of your transactions.

After 30-days of actual use, decide if you want to keep it. If you do you'll own the smallest, most advanced and convenient pocket printing calculator in the world. If for any reason you're not completely satisfied, simply return your unit within 30-days for a prompt and courteous refund, including your $2.50 postage and handling. You can't lose.

Olivetti selected JS&A to exclusively introduce this exciting new product. With its solid-state design and high quality printing mechanism, the Olivetti should not require service. But if service is ever required, Olivetti maintains a convenient service-by-mail center as close as your mailbox.

To order your unit for our trial, simply send your money order or personal check for **$89.95** plus $2.50 for postage and handling (personal check orders, allow 20 days to clear our bank) to the address below, or credit card buyers may call our toll-free number below Add $16 for 32 paper cartridges or $10 for 16 cartridges. (Illinois residents please add 6% sales tax.)

Who would have imagined a printing calculator this small and this convenient with this much computational power just a few months ago? The Olivetti Logos 9 deserves your test. Order one at no obligation, today.

JS&A PRODUCTS THAT THINK

Dept. FO One JS&A Plaza
Northbrook, Ill. 60062 (312) 564-7000
Call TOLL-FREE 800 323-6400
In Illinois Call ..... (312) 564-7000

©JS&A Group, Inc.,1980

Forbes

May 26, 1980
Volume 125, Number 11

Cover Story: Remember the old Harris Intertype Corp.? Now it's Harris Corp., a highly profitable company on the outer edge of technology. **45**

Features

Nuclear Energy: *Who Really Loses?* After spending $147 million over the last ten years to carve out a leadership position in nuclear fuel reprocessing research, giant Exxon is virtually throwing in the towel. It has been done in not by the antinukers but by political decisions within the federal bureaucracy. For a company as huge as Exxon, the losses—$215 million so far—will be little more than a pinprick. The fact that, as Senior Vice President Jack F. Bennett says bluntly, "The government simply doesn't want us in the business," will probably hurt the country a lot more than it will hurt Exxon. 33

Companies: *The Saudi Advantage.* Another $75 million—small change—and Exxon would have earned $2 billion in the first quarter of 1980. Even with the windfall profits tax, the world's largest industrial corporation will continue to roll up spectacular profits for the rest of the year—profits for which Chairman Cliff Garvin is not apologizing. But he's hardly bragging about them, either. 34

Automobiles: *Behind GM's Dividend Cut.* Beware those forecasts of earnings revivals for the auto companies. 35

Social Security: *The Monster That's Eating The Future.* The final crisis will be a mess for our grandchildren; but our own standard of living is already being eaten away. 39

Investing: *Anyone For The Bolsa?* As the Mexican economy steams along at one of the highest growth rates in the world, American investors may want to take a look at the Bolsa Mexicana de Valores. If the Mexico Fund comes about, they will be able to. 53

The Numbers Game: *It Pays To Read The Footnotes.* Th are lots of reasons why a CEO would hide debt off t balance sheet—and lots of ways to do it. .....

Companies: *A Dash Of Cold Water.* Its plants obsolete, ex-CEO sent to jail, its resources squandered, Penn-Di Industries was driven to seek the protection of the ba ruptcy courts this year. Good-bye, Penn-Dixie? Not nec sarily. There could be a handsome payoff down the line patient holders of its shares. .....

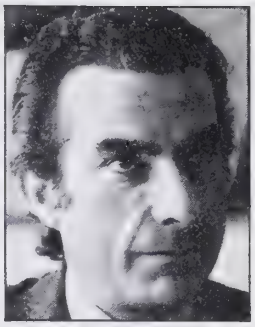
The Streetwalker: *R.J. Reynolds' Oil Chaser.* Why sho the stock of a big cigarette company start to move just af Seagram Co.'s announcement that it is about to sell its and gas operations? Easy: RJR is sitting on oil and gas th might be as juicy as Seagram's. Some respected analy believe it could have a market value nearly equal to RJ recent stock price. There are a couple of hitches, true; a there may be more exciting ways to play oil and gas in t market these days. But we can't think of a safer one. .....

The Streetwalker: *Why Bears Need Strong* body can be gloomy, but backing up your convi wit big short position is not a graceful way to grow old. glimpse into an arcane world. .....

Companies: *"What Are You Mad About, Eddie?"* Th the opener of Eddie Chiles' radio commercials, which ha made him something of a regional folk hero in 14 states Middle America. His Texas Rangers baseball team has a given him some visibility in his hometown of Ft. Wor But oilman Chiles' real trump card is Western Co. of No America. .....

See It: A military t says the oversys-ized U.S. military come a "perverted " that has not had or success in 30 37

Takeovers: At Citation Cos. the insiders got the loot. The rest of the stockholders got the boot. **61**



Portugal: Why is the Council of the Revolution dwindling away? Because the Portuguese revolution is. **93**

The Up-And-Comers: How Marvin Green snatched a company from the brink of the grave. **99**

The World Bank: Robert S. McNamara's instincts are good. But he may be biting off more than he can chew. **122**

panies: *How To Mine Capital.* St. Joe Minerals doesn't a lot of capital. Nor does it yet have a lot of oil. What it have is coal, lead, zinc, precious metals, imagination ood management. From them John Duncan has built a any shrewdly protected against takeover and, in e with giant Royal Dutch/Shell, positioned to hit a er lode. 105

panies: *Sweet Music At Baldwin-United.* You'd think ey Thompson was doing everything wrong, turning a company into a financial conglomerate in these us times. So why is he still smiling? 108

tical Spotlight: *Charlie Was Right.* Back in the Six-Vall Street laughed at Gulf & Western founder Charlie orn for turning his highly leveraged conglomerate n inflation hedge. Well, galloping inflation is upon us, t turns out that, under the right circumstances, a ty *can* be an asset. 114

Faces Behind The Figures

n Amdahl, *Magnuson Systems* 116
D. Scott, *Investors Diversified Services* 116
e Scharffenberger, *City Investing* 120
n R. Loucks Jr., *Baxter Travenol Laboratories* 120
co Dumas, *Argentine government* 121
Mondavi, *California vintner* 121

ctivity: *A Scorecard On Capital And Labor.* The n's 500 largest employers, ranked by sales, profits and per employee. 137

Money And Investments

Columnists

Ben Weberman 145
Stanley W. Angrist 146
Heinz H. Biel 148
John Train 150
Srully Blotnick 152
Martin T. Sosnoff 154
David Dreman 156

Departments

Side Lines 6
Trends 9
Follow-Through 14
Flashbacks 18
Readers Say 20
Fact and Comment 25
Other Comments 28
Editorial Index 159
Thoughts.....160

Photos: p. 6, Jim Caccavo; p. 9, UPI; p. 14, Eric Poggenpohl; p. 36, J. Edward Bailey; p. 37, Leroy Woodson Jr.; pp. 45, 46, 47, 48, Ray Fisher; p. 53, Patricia Aulisau/Gamma Liaison; p. 61, 93, 94, Wide World; p. 68, John Chang McCurdy; p. 95, Gamma Liaison; p. 96, Les Wollam; pp. 99, 105, Bill Kelly; p. 108, Tom Hubbard/Black Star; p. 113, Carl Iwasaki; p. 116 left, 121 right, Peter Tatiner/Gamma Liaison; p. 120 left, Richard Tolbert; p. 122, Sygma; p. 127 left, Peter Muncie.
Drawings: p. 38, David Martin; p. 56, Geoffrey Moss
Charts: p. 34, Andrew Christie

Cover Photos: John Chang McCurdy, Ray Fisher

Forbes (ISSN 0015 6914) is published biweekly by Forbes Inc., 60 Fifth Ave., New York, N.Y. 10011. Second-class postage paid at New York, N.Y. and at additional mailing offices. Subscription $27 a year, U.S.A. Postmaster: Send address changes to Forbes, 60 Fifth Ave., New York, N.Y. 10011.

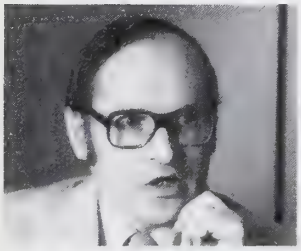
Copyright © 1980 Forbes Inc.

How Johnson Controls gives "Mac" McCar

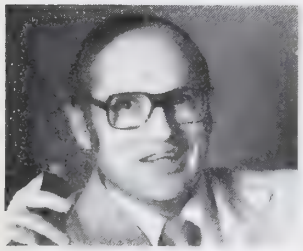
What control problems do you face here?
Here in San Francisco we're headquarters for California's State Compensation Insurance Fund. We occupy about half of this 460,000 square foot building and are leasing the rest. Actually, all floors are not finished. We've been bringing them on line since the basic building was completed in late 1977, and these floor sizes range from 13,000 to 29,000 square feet. It's a complex control problem, but our Johnson Controls JC/80 computerized system cuts it down to size. It earns its keep in energy savings.

What kind of energy savings do you get?
Phenomenal! We've got hard figures—fuel bills before and after programming the JC/80 for energy saving. They show a 50% cut in natural gas use during the heating season, 90% during non-heating months. Using the JC/80, our engineers cut total energy costs 25% in one year—while occupied space increased 9%. It's all in tuning up the system...and our "little buildings."

What are "little buildings"?
Little boxes with windows. They duplicate on a small scale the glass and insulation factors of the building. Johnson Controls installed them on the walls outside the building. Depending upon sunlight, cloud cover, wind, temperature and other factors, these "little buildings" advise the JC/80 of changes in environmental conditions. The JC/80 does the rest.



What all does the JC/80 do for you?
It performs any function we can hang a sensor on. And we're expanding its use all the time. For fire management, it gives the alarm and fights fire by controlling the supply of air to fire floors. For security, it protects key areas with a card access system. For building maintenance, it gives us an hour by hour record of equipment running time. Of course it gives us total control—electronic and pneumatic—of all HVAC functions. And it's easy to run—our engineers swear by it.



You're happy with Johnson Controls?
You can quote me on that. We chose Johnson Controls because they had the edge in computers and building automation. And they've worked with us from the beginning—from planning, through installation, through adjusting the system. They're helping us expand the system, too. We've ordered demand-limiting software from Johnson Controls that can shave up to 200 amps off of the electrical consumption of our chillers for a considerable period of time, without noticeably affecting indoor comfort. Yes, we're happy.

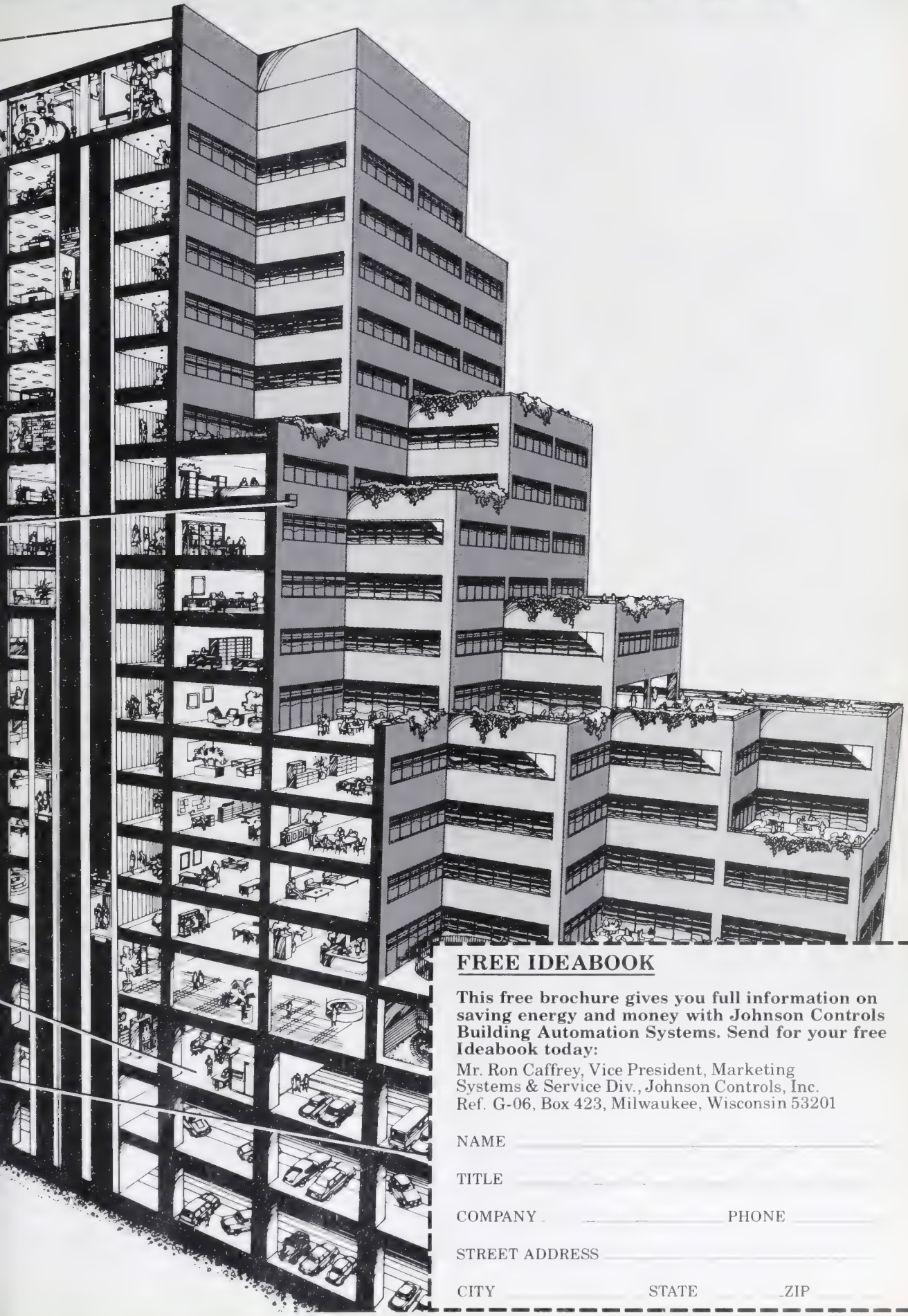
C.D. "Mac" McCarthy, Chief Building Engineer
State Fund Building, San Francisco, California

JOHNSON CONTROLS

The total control company

Your single source for design, manufacture, installation and service of automated building controls. Proprietary or time-shared. Energy management, heating, air conditioning, fire management, security and communications. ©1980 Johnson Controls, Inc.

al control of the State Fund Building.



FREE IDEABOOK

This free brochure gives you full information on saving energy and money with Johnson Controls Building Automation Systems. Send for your free Ideabook today:

Mr. Ron Caffrey, Vice President, Marketing
Systems & Service Div., Johnson Controls, Inc.
Ref. G-06, Box 423, Milwaukee, Wisconsin 53201

NAME _____

TITLE _____

COMPANY _____ PHONE _____

STREET ADDRESS _____

CITY _____ STATE _____ ZIP _____

Forbes

Editor
James W. Michaels

Managing Editor
Sheldon Zalaznick

Executive Editors: Dero A. Saunders, James Cook
Economics Editor: Ben Weberman
Art Director: Everett Halvorsen
Senior Editors: Ruth M. Gruenberg, Robert J. Flaherty, Geoffrey Smith, Howard Rudnitsky, Jefferson Grigsby, John A. Conway, Stanley H. Brown, Malcolm S. Forbes Jr., Paul Gibson
Contributing Editors: Richard Phalon, Clothield Spencer
Associate Editors: Jean A. Briggs, Subrata N. Chakravarty
Staff Writers: Harold Seneker, James O'Hanlon, Allan Sloan, Carol E. Curtis, Stanley Ginsberg
Reporters: Betty Franklin, Richard Greene, Steven Flax, Thomas Jaffe
Reporter-Researchers: Flora S.H. Ling, Chief; Gerald Odening, Linda Gasparello, Christine Miles, Alyssa Lappen, Jane Carmichael, Thomas Baker, Jeff Blyskal, Anne Bagamery, Tom Chesser
Washington Bureau: Jerry Flint, Manager; Beth Brophy, Ann Hughey
West Coast Bureau: John Merwin, Manager; Kathleen K. Wiegner, Michael Kolbenschlag, Nick Galluccio, Ellen Paris, William Harris
Southwestern Bureau: Phyllis Berman, Manager; Tedd A. Cohen, Toni L. Mack
Midwestern Bureau: Bob Tamarkin, Manager; Lisa Gross
European Bureau: Lawrence Minard, Manager; Barbara Ellis
Copy Department: Donald E. Zipperer, Chief; Marlene Mandel, Deputy; Dolores Guilhot, Jane Lashaw
Art Department: Roger Zapke, Ronda Kass, Assistant Directors; Nikki Frost, Photo Editor; Philip Gefter, Assistant Photo Editor
Columnists: Heinz H. Biel, Thomas P. Murphy, Stanley W. Angrist, John Train, Martin T. Sosnoff
Director of Production: John J. Romeo; Robert M. Rosengarten, Edward B. Morgan, Robert D. McDaniel, Assistants
Advertising Production: Patricia Deckelnick
Photocomposition: James Cianelli, Manager; Karen Heuler, Assistant; Lynn Gaspar, Johnnie English, Arthur Petz
Information Services: Robert M. Sterenson, Manager
Library: Dolores A. Lataniotis, Chief; Clarita Jones, Santiago Alvarado, Gloria Katz
Statistics: Donald E. Popp, Editor; Maria M. Latorraca, Associate Editor; Edward Sakalian, Ann Oliver, Paul Bornstein, William J. Kerr Jr.

President and Editor-in-Chief
Malcolm S. Forbes

Publisher
James J. Dunn

Executive Vice President
Leonard H. Yablon

Vice President and Secretary: Malcolm S. Forbes Jr
Vice President and Controller: Joel B. Redler
Vice President and Treasurer: Leonard Greenberg
Vice President and Assistant Publisher: Christopher Forbes
Director of Advertising: Stephen G. Nicoll
Director of Corporate Communications: Wm. Donald Garson
Director of Circulation: John M. Thornton
Director EDP: Jerome Hoffman
Advertising Representatives:
New York: 60 Fifth Ave., 10011, Peter M. Schoff, Manager; (212) 620-2232 Arnold J. Prives, Fin'l Adv. Mgr.; George C. Clissold; Donald W. MacDonald; G. Croft Henry; John Wilson; Richard Calkins; Ellen S. Dweck, Kevin D. Miller; James W. LaCingnola, Dir. Int'l Adv.; H. Duncan McMillan, Dir. Spec. Proj.; Thomas G. Petersen, Co-Dir. Spec. Proj.
Atlanta: 550 Pharr Rd. N.E., 30305, Charles S. Thorn Jr., Manager; (404) 233-2457
Chicago: 435 N. Michigan Ave., 60611, Richard W. Reynolds, Manager; (312) 467-5000 James H. Mallon, Fred H. Wellington
Cleveland: Suite 501, The Leader Building, 44114 James B. Norton, Manager (216) 771-1271
Dallas: 4681 First National Bank Building, 75202, Donald R. Brown, Manager; (214) 742-7001 William R. Arnold, Co-Dir. Spec. Proj.
Detroit: 3331 West Big Beaver Rd., Troy, Mich. 48084, Richard E. Forbes, Manager; (313) 643-0105
Los Angeles: 5900 Wilshire Blvd., 90036, Craig E. Miller, Manager; (213) 931-8131
San Francisco: 625 Market St., 94105, John B. Cunningham, Manager; (415) 788-2366
Classified: Sarah Madison; (212) 620-2371 60 Fifth Ave., New York, N.Y. 10011

Mgr. Subscription Service: T.M. York
60 Fifth Ave., New York, N.Y. 10011

PAID CIRCULATION OVER 680,000

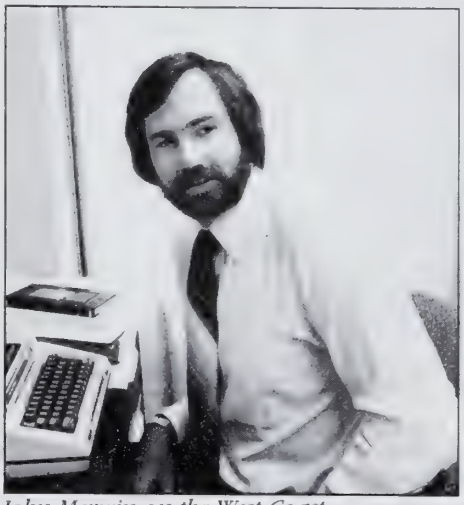
FOUNDED 1917 BY B.C. FORBES (1880-1954)

Side Lines

The way west

"Somewhere west of Laramie," a famous auto ad of the 1920s read. It evoked what less romantic but more promotion-minded types recently have labeled "the Sunbelt." By any name, the West and the Southwest today mean business, and the Forbes bureaus in Houston and Los Angeles have just gotten new managers.

The manager of the West Coast bureau in Los Angeles, John Merwin, is at 32 completing a decade in journalism. Raised in Dallas, Merwin was educated at San Antonio's Trinity University and at the University of Texas at Austin. His first job out of school was as a $140-a-week writer of obituaries and rewriter of press releases for the Dallas *Morning News*, where he worked the 4 p.m.-to-1 a.m. shift. It was, he recalls succinctly, "the pits." But it was a beginning.



John Merwin on the West Coast

From there, Merwin moved in the only possible direction—upward—to a job at Dallas' public television station on a pioneering show called *Newsroom*. After a couple of years he became a staff writer at *D*—the city magazine of Dallas, owned by H.L. Hunt's son, Ray. There he turned out a series of outstanding pieces on the oligarchs of that city, as well as lesser lights.

In Los Angeles for Forbes since the fall of 1978, Merwin has covered a broad range of industries, especially aerospace and oil and gas. Generally, what he's after are stories about "things and ideas that people can make money on."

In a town where Darryl F. Zanuck sold his first screenplay at 21 and Irving Thalberg was a dead legend at 37, Merwin's youth is hardly record-breaking, but his *haute* redneck style masks an awesomely perceptive view of the way things work in the real world, and especially i Sunbelt.

Having sent a Texan to Californi suppose it was appropriate to send ridian to Texas. The new head Southwest bureau in Houston, P Berman, 34, was born in Okeech Fla., a place that prepares her well f renowned climate of the city on B Bayou. And her career in business nalism has prepared her for the for

Phyllis Berman in the Southwest

ble assignment she has taken on Southwest.

After studying political science University of Michigan in Ann Berman came to New York to start bottom—clipping newspapers at *Sp lustrated* and then at *Fortune*. She ca Forbes in 1972 as a reporter-rese and then moved quickly to the p staff writer, where she distinguishe self as a relentless reporter who ma to produce five cover stories in les a year. They included probing wo Emerson Electric *(Mar. 20, 1978)*, Mines *(May 29, 1978)*, Revlon *(Ju 1978)*, Levi Strauss *(Aug. 21, 197* an insightful piece on America's r wave of immigration *(Oct. 30, 19* theme that has since been pick by the newsmagazines and tele documentarians.

The daughter of a German imm who was a fourth-generation dairy er, Berman brings a little knowle cattle and a lot of skill and drive new post. Her previous assignme cluded a stretch on loan to the Los Angeles bureau, where she l that the laid-back western style is veneer beneath which lurk endless bilities for Forbes stories.

What's right for today? A big car? Small car? Fast car? Safe car? Station wagon? Sedan? Economy car? Luxury car? How about everything?

While common sense would seem to dictate the distinct improbability of such a phenomenal automotive accomplishment, there is a scattering of people around you who have in their possession powerful evidence to the contrary.

The evidence is the car they drive.

A Saab.

It's small but it's big.

The exterior of the Saab 900 is built on the scale of the Audi 4000 and 5000, the Volvo DL and GLE, the BMW 320i and 528i and the Mercedes 280E.

Inside, however, the Saab is bigger than all of them.

By EPA measurements, in fact, the Saab is a mid-sized car.

While the others are all compacts.

It stops. And it certainly goes.

From 60 to 0, in separate road tests conducted by *Road & Track* during '78 and '79, the Saab 900 Turbo stopped quicker than, among other cars, two Audis, two Jaguars, five BMWs, a Ferrari, a Maserati, a Mercedes and a Volvo.

And going was no less spectacular than stopping.

Through the standard *R&T* slalom course, the Saab 900 Turbo—a four-cylinder, front-wheel drive car, mind you—was timed faster than three Mercedes, four BMWs, two Ferraris, two Jaguars and a couple of Porsches, including the 928.

It's a sedan that also isn't.

The trunk in the Saab 900 is as big as those in the largest sedans being made.

Yet for those few times every year when you wish your sedan was a station wagon, the Saab accommodates you.

Fold the rear seat forward, lift the rear hatchback and the Saab presents a station wagon-like cargo space over six feet long and 53 cubic feet big.

Economy with the luxury of room.

The Saab 900 is not a tiny compact or subcompact that gets good gas mileage.

It's a comfortable *mid-sized* car that does.

The Saab 900 EMS, for example, gets 21 EPA estimated mpg and 30 estimated highway mpg.

(Remember, use estimated mpg for comparison only. Mileage varies with speed, trip length and weather. Actual highway mileage will probably be less.)

Is this the prestige car of the future?

Probably.

What could be more prestigious than buying a new car and, despite the times, getting everything you want?

SAAB

The most intelligent car ever built.

Expanding production in Europe is their job, too.

Betty Erwin and Elizabeth Corbett are part of the work force that increased productivity in Northern Ireland by 44% over the past ten years.

The people here build impressive labor statistics. By working with new manufacturing and management techniques. By drawing on a range of skills from the basic to the sophisticated. By losing fewer working days per year than workers in the U.S. and many other countries.

More than 30 American companies have penetrated the European market by manufacturing in Northern Ireland. If you want to get closer to your customers, we can help you get started with the best overall package of investment incentives in the EEC, including provisions for joint ventures and for buy-back equity.

Put our people to work for you. Get the facts from Reg Browne or Marcus Robinson at the Northern Ireland Industrial Development office. They can quickly put together a package of incentives to fit your plans. Call (212) 593-2258. Or write: NIIDO, British Consulate-General, 150 E. 58th St., New York, NY 10022.

Elizabeth Corbett works. She has 11 years of experience at Warner, and races automobiles in her spare time.

Northern Ireland works.

Edited By John A. Conway

West, young banker

k of New York, the country's sec-
est, is moving to set up a sister
on in South Dakota, regardless
l strictures on interstate bank-
regardless of whether New York
interest ceiling—one reason the
York bank started talking about
g out in the first place. Citibank
tly filed an application with the
olis regional administrator of
ptroller of the Currency to orga-
ational bank in Sioux Falls, S.
pitalized at $250 million, a figure
uld rank it in the top 50 across
The New York bank would sell 1
shares at $250 each, generating
llion in capital and $150 million
us for the Minnehaha County
he largest bank in the Coyote
w is the National Bank of South
273rd in size in the U.S., with
nd surplus of $30 million and
of $496 million at the end of
tibank is free to form such an
despite federal bars on crossing
es set by the McFadden Act of
cause South Dakota has passed a
exempts it from the prohibition.
e also signs that Citibank may
e only one of the big New York
ons to embark on similar cross-
moves.

The stamp act

e of a first-class postage stamp
o 20 cents next year, if the U.S.
rvice has its way, but the mail-
l have some words of consola-
he public. Even at 20 cents, the
ays, the U.S. rate would still be
e lowest among industrial coun-
rope's letters cost from 23 cents
erland to 32 cents in Belgium
t Germany, the Postal Service
e British pay the equivalent of
ts, the Swedes about 30 cents
French 30.3 cents. The Japanese,
0 cents now, will have to ante up
a letter beginning in October.
nada favors its correspondents,
14.4 cents for a stamp, but that,
service claims, is because Can-
gets 30% of its operating budget
government. (The U.S. mails
lift from the Congress.)

e doctor's diagnosis

ver has to wonder what Milton
n, the Nobel prize winning
st, means when he talks eco-
His political views are just as
—and sharp-tongued. At a semi-
month for Brigham Young Uni-
economics department in Provo, Utah, Dr. Friedman spoke his mind on the presidential races. "Ronald Reagan is my first choice. His principles on the whole are the same as mine," he said, not surprisingly, considering he is one of the GOP front-runner's inner circle. The candidates farthest from his economic views? Ted Kennedy and Jimmy Carter, saying after a pause, "Well, Jerry Brown is out of the race." As for the two top Democrats, "Jimmy Carter has a higher I.Q." and Senator Kennedy is

Milton Friedman
An outspoken man speaks his mind.

"stupid," adding for a surprised questioner: "You can quote me on that. I don't mean it in any personal or malicious way." His judgment, he explained, is that "Jimmy Carter is the smarter" but Kennedy "tends to surround himself with better advisers." As for the economy: "The recession started in January 1980 and will continue through 1981."

The COLA generation

With cost of living adjustments (COLA) adding 10 cents an hour to the auto worker's pay envelope each month, General Motors, for one, expects to be putting out an extra 30 cents an hour per worker next month (one penny of that going to increase pensions for those already retired). Today, GM says, its hourly employees average $12.63 an hour, up 11.6% from last year's $11.32. All in all, the big auto firm says, its payroll costs—which include COLA, regular pay, shift differentials, overtime and vacation pay, along with fringes and Social Security—add up to $17.35 an hour, a 19.7% increase over 1979. The curve will keep rising. If inflation holds at current rates, COLA alone will add $1.20 an hour this year. The regular annual pay raise of 3% is due in the fall. On the other side of the ledger, with pay and other costs rising, the automakers will keep raising prices. With fewer people buying fewer cars, fewer workers will be getting these rates. And with carmakers starting to import major components like engines, the number of workers drawing those numbers will grow even smaller.

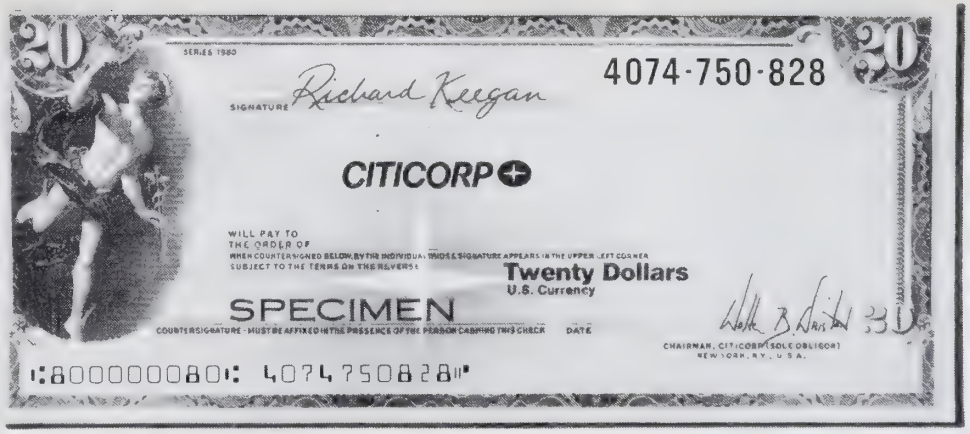
The longer green

Americans are upgrading the contents of their wallets, with the $100 bill coming into vogue. The public now has in its jeans more than $42 billion in C-notes, the Treasury Department says. The $1 bill is still number one but the value of the singles in circulation is only about $3 billion. What is causing the big-bill syndrome? One theory is that because of inflation workers are now asking for $50s and $100s at the pay window rather than $10s and $20s. Another is that the bigger bills are the legal tender of the growing underground economy, which operates strictly on cash to foil the income-tax collectors. For whatever reason, Americans are switching to hard cash. In 1960 checking accounts held $3.48 for every dollar in circulation; last year it was $2.14 in checking balances for every $1. The phenomenon has apparently caught on in the underworld. The Secret Service says counterfeiters are pushing more $50 bills because of inflation, although funny $20s are still the favorite.

A boom in bum checks

The credit-card crunch that is part of the Federal Reserve's newest anti-inflation strategy has started consumers writing more checks—and bad checks are multiplying right along with the good ones. Robert Baer, president of Telecheck Services Inc., a Honolulu-headquartered network of franchised operations helping merchants and banks ward off check kiters, says calls from his clients in the past month (the Fed made its move in March) have jumped from 13% to 17% over the previous April, and bad checks are showing increases of 40% in areas as far apart as Boston and San Diego. Derek Noske, head of Telecheck Southcoast, a Barnett Banks of Florida affiliate based in Jacksonville, says calls increased 15% in April from the 4,500 merchants he serves and he figures that check volume in his area jumped 20% last month. May's expected increase could hit 25%, he adds. Both Noske and Baer think the

© 1980 CITICORP



The Citicorp Travelers Check.

If you can't use them where you're going, maybe where you're going isn't there.

Just a few of the places we're welcome...

Carrara Italy
New York New York
Amman Jordan
Manama Bahrain
Casablanca Morocco
Dunstable England
Montevideo Uruguay
Portland, Oregon
Kowloon Hong Kong
Abidjan Ivory Coast
Feuerthalen Switzerland
Scranton Pennsylvania
Cannes France
Seoul Korea
Valencia Spain
Kashmir India
Punchbowl Australia
Tijuana Mexico
Sabah East Malaysia
Lusaka Zambia
Canberra Australia
Bridgetown Barbados
Brasilia Brazil
Columbus Ohio
Monte Carlo Monaco
Hollywood Florida
Maputo Mozambique
Boca Raton Florida
Madras India
Bucharest Rumania
Houston Texas
Quezon City Philippines
Brussels Belgium
Sanaa Yemen
Wilmington Delaware
Basel Switzerland
Milano Italy
Dover England
Capetown South Africa
Malaga Spain
Lancaster Pennsylvania
Laon France
Namur Belgium
San Cristobal Venezuela
Philadelphia Pennsylvania
Adelaide Australia
Eureka Missouri
Rawalpindi City Pakistan
Racine Wisconsin
Mombasa Kenya
Asheville North Carolina
Rorschach Switzerland
Banbury England
Coos Bay Oregon
Belgrade Yugoslavia
Liechtenstein
Dearborn Michigan
Katmandu Nepal
Fukuoka Japan
Aruba Netherlands Antilles
Miami Florida
Innsbruck Austria
San Salvador El Salvador
Torshavn Faeroe Islands
Poona India
Nice France
Papua New Guinea
Jeddah Saudi Arabia
Cincinnati Ohio
Botany Australia
Tortola British Virgin Islands
Mullheim Switzerland
Salzburg Austria
Kansas City Missouri
Managua Nicaragua
Nicosia Cyprus
Stamford Connecticut
Scone Australia
Austin Texas
Papeete Tahiti
Saarbrueken Germany
Lyon France
Cairo Egypt
Hokkaido Japan
Barneveld Netherlands
Guanajuato Mexico
Ruwi Oman
Detroit Michigan
Kuala Lumpur Malaysia
Lisbon Portugal
Ba Fiji Islands
Boise Idaho
Soissons France
Arlington Virginia
Darlinghurst Australia
Monrovia Liberia
Zurich Switzerland
Ciudad Real Spain
Buenos Aires Argentina
Orlando Florida
Macao Macao
Khulna Bangladesh
London England
Modesto California
Port au Prince Haiti
Nigata Japan
La Paz Bolivia
Malvern Australia
Carcassonne France
Boeblingen Germany
Fort-de-France Martinique
Guatemala City Guatemala
Macon Georgia
Ivanhoe Australia
Porto Portugal
Tampa Florida
Champigne sur Marne France
Sneek Netherlands
Quito Ecuador
Dallas Texas
Perth Australia
Port Said Egypt
Eagle Point Oregon
Fig Tree Australia
Mainz Germany
Jewett Ohio
Strasborg France
Mykonos Greece
Providence Rhode Island
Taipei Taiwan
Dusseldorf Germany
Lexington Kentucky
Paramaribo Surinam
Porto Alegre Brazil
Bristol England
Sumter South Carolina
Port Louis Mauritius
Amsterdam Netherlands
Chittagong Bangladesh
Roubaix France
Ouagadougou Upper Volta
Denver Colorado
Segovia Spain
Port of Spain Trinidad
Riyadh Saudi Arabia
Grindewald Switzerland
Paco Philippines
Montreal Canada
Paducah Kentucky
Turramurra Australia
Berlin Germany
Lumberton North Carolina
Harrisburg Pennsylvania
Jaipur India
Puebla Mexico
Belfort France
Channel Islands England
Toronto Canada
Ozark Alabama
Ohakune New Zealand
Honolulu Hawaii
Bolton Landing New York
Urdorf Switzerland
Castellon de la Plana Spain
Bhawanipur India
Tuxpan Nayarit Mexico
Santa Cruz de la Sierra Bolivia
Kagoshima Japan
Bala Cynwyd Pennsylvania
Bludenz Austria
Winnipeg Canada
Jalapo Mexico
Fayetteville North Carolina
Haarlem Netherlands
Cadiz Spain
Calgary Canada
Mantes la Jolie France
Friborg Switzerland
Butterworth Malaysia
Wagga Wagga Australia
Birmingham England
Punto Fijo Venezuela
Toowoomba Australia
Arteaga Mexico
Bendigo Australia
Papatoetoe New Zealand
Finlayson Green Singapore
Warkworth New Zealand
Lai Chi Kok Hong Kong
Essex England
Barcelona Spain
Sevres France
Vigevano Italy
Elkhart Indiana
Dubuque Iowa
Alcoa Tennessee
Gisborne New Zealand
Whyalla Australia
Unley Australia
Bolsward Netherlands
Karlstad Sweden
Freiburg Germany
Helsinki Finland
Ashburton New Zealand
Cordoba Spain
Gympie Australia
Vigo Spain
Bradford England
Monmouthshire England
Ocean Springs Mississippi
Hopkinsville Kentucky
Braunschweig Germany
Vlissingen Netherlands
Hamilton Australia
Woden Australia
Fort Bombay India
Amritsar India
Colac Australia
Cobram Australia
Northampton England
Panapanaumu New Zealand
Muskogee Oklahoma
Lake Forest Louisiana
Levin New Zealand
Ferrara Italy
Riccione Italy
Papkos Cyprus
Mareeba Australia
Sukkur Pakistan
Moissac France
Rheineck Switzerland
Lecce Italy
Tsuruoka Yamagata Japan
Colmar France
Marbella Spain
Derbyshire England
Rockdale Australia
Caringbah Australia
Pontpartier France
Collyer Quay Singapore
Bhopal India
Tuticorin India
Klang Malaysia
Dover New Hampshire
Dudley Massachusetts
Arona Italy
Itabuna Brazil
Glarus Switzerland
Brookvale Australia
Carlingford Australia
Ales France
Keokuk Iowa
Hoover Alabama
Santander Spain
Morrilton Arkansas
Winchester England
Arendtsville Pennsylvania
Huertevecinana
Langres France
House Springs Missouri
Thalwil Switzerland
Bisceglie Italy
Guanajuato Mexico
Belmont Australia
Geraldton Australia
Uster Switzerland
Brandon Florida
Portland Pennsylvania
Black River New York
Petersburg West Virginia
Cartagena Colombia
Revin France
La Fleche France
Claymont Delaware
Poughkeepsie New York
Valencia Venezuela
Southampton England
Prattville Alabama
Caceres Spain
Clearwater Florida
Cairns Australia
Ambato Ecuador
Ancona Italy
Rovigo Italy
Wolhusen Switzerland
Cebu City Philippines
Hamamatsu Japan
Nelson New Zealand
Wanganui New Zealand
Mestre Italy
Ibaraki Ken Japan
Wallisellen Switzerland
Cumberland Rhode Island
Gunnedah Australia
Hackensack Delaware
Norwood New Jersey
Butterworth Malaysia
Abbi France
Perpignan France
Odense Denmark
Vincenza Italy
Derbyshire England
Burgos Spain
Redcliffe Australia
Noosa Heads Australia
Remuera New Zealand
Ferd Creek Kentucky
Mallorca Spain
Koeln Germany
Innaloo Australia
Gengenbach Germany
Alicante Spain
Viseu Portugal
Nagoya Japan
Manta Ecuador
Macaio Brazil
Clinton Oklahoma
Papakura New Zealand
New Plymouth New Zealand
Aarau Switzerland
Wichita Kansas
Lorient France
Yorkshire England
Torremolinos
Belfort France
Belo Horizonte Brazil
Montbrison France
Michoacan Mexico
Toledo Spain
Lower Hutt New Zealand
Manchester England
Sarnen Switzerland
Tenerife Canary Islands

Rutland Vermont
Ankara Turkey
Koohsiung Taiwan
Cork Ireland
Memphis Tennessee
Nancy France
Bombay India
Rarotonga Cook Islands
Veracruz Mexico
Algiers Algeria
Brisbane Australia
Hartford Connecticut
Barquisimeto, Venezuela
Goteborg Sweden
Chantilly France
Sevilla Spain
Aubonne Switzerland
Kiel Germany
Augusta Maine
Perugia Italy
Oxford England
Minneapolis Minnesota
Niamey Niger
Sydney Australia
Ponta del Gada Azores
Keene New Hampshire
Santo Domingo Dominican Republic
Antwerpen Belgium
Limassol Cyprus
Lima Peru
Copenhagen Denmark
Pucallpa Peru
Chicago Illinois
Addis Ababa Ethiopia
Tel Aviv Israel
Davenport Iowa
Kingston Jamaica
Jackson Mississippi
Agra India
Mermaid Beach Australia
Durham North Carolina
Labasa Fiji Islands
Split Yugoslavia
Palma de Mallorca Spain
Khartoum Sudan
New Orleans Louisiana
Lachen Switzerland
Sapporo Japan
El Dorado Kansas
Graz Austria
Cortland New York
Saint Denis France
Acapulco Mexico
Faaborg Denmark
Montana Mousson France
Upper Hutt New Zealand
St Louis Missouri
Tegucigalpa Honduras
Albury Australia
Gran Canaria Canary Islands
Sioux City Iowa
Firenze Italy

Columbus Ohio
Marrubra Junction, Australia
Durango Mexico
Flagstaff Arizona
Lugano Switzerland
Lacey Washington
Rakiraki Fiji Islands
Terni Italy
Albuquerque, New Mexico
Helsinki Finland
Milwaukee Wisconsin
Vienna Austria
Curacao Netherlands Antilles
Salerno Spain
Jakarta Indonesia
Melbourne Australia
Albany New York
Grenoble France
Athens Greece
Honiara Solomon Islands
Maracaibo Venezuela
Tarragona Spain
Atlanta Georgia
Rangoon Burma
Hamburg Germany
Las Vegas Nevada
Valetta, Malta
Cardiff England
Quelzaltenango Guatemala
Kuwait
Nottingham England
Hargesia Somalia
Grand Rapids Michigan
Liege Belgium
Marseilles France
Las Palmas Canary Islands
Recife Brazil
Osaka Japan
Calcutta India
Boston Massachusetts
Gisors France
Funchal, Madeira
Ogden Utah
Brazzaville Congo
Seattle Washington
Singapore
Greeley Colorado
Caracas Venezuela
Belo Horizonte Brazil
Warsaw Poland
Oklahoma City Oklahoma
Agana Guam
Alessandria Italy
Manila Philippines
Birmingham Alabama
Moonee Ponds Australia
Gravesend England
Chihuahua Mexico
Tokyo Japan
Garoua Cameroons
Selangor Malaysia
Croydon England
Dayton Ohio

Cordoba, Spain
Santos Brazil
Karachi Pakistan
Rapid City South Dakota
Queenscliff Australia
Cleveland Ohio
Pisa Italy
Valley City North Dakota
Libreville Gabon
Toms River New Jersey
Aachen Germany
Mexico City Mexico
Guimaraes Portugal
Corfu Greece
Bozeman Montana
Noumea New Caledonia
Laramie Wyoming
Aix-en-Provence France
Sucre Bolivia
Merrylands Australia
Nagoya Japan
Djibouti Djibouti
Charmes France
Baltimore Maryland
Wanchai Hong Kong
Granada Spain
Philipsburg St Maarten
Penang Malaysia
Eton England
Louisville Kentucky
Roma Italy
Dubai United Arab Emirates
St Moritz Switzerland
Leicester England
Nashville Tennessee
Pointe-a-Pitre Guadeloupe
The Hague Netherlands
Monterrey, Mexico
Bergen Norway
Maharashtra India
Dijon France
Peorzheinz Germany
Washington D C
Guayaquil Ecuador
Dakar Senegal
Urbandale, Iowa
Vila New Hebrides
Liverpool England
Ravenna Italy
Phoenix Arizona
Montana Switzerland
Istanbul Turkey
Stuttgart, Germany
Norfolk Virginia
Santiago Chile
Dar es Salaam, Tanzania
Yokohama, Japan
Simla India
Ciudad Bolivar Venezuela
Guadalajara Mexico
Indianapolis Indiana
Johannesburg, South Africa
Kotara Fair Australia

Almeria Spain
Bogota Colombia
Bern Switzerland
Glasgow, Scotland
Islamabad Pakistan
Andorra La Veila Andorra
Charlotte North Carolina
Kyoto Japan
Torino Italy
Ansuncion Paraguay
Malacca, Malaysia
Madison Indiana
Dublin Ireland
Leeds, England
Cosne sur Loire France
Sao Paulo Brazil
Sacramento California
Utrecht, Netherlands
Tripoli Libya
Joliet Illinois
San Pedro Sula Honduras
Donnybrook Australia
Barcelona, Spain
Abu Dhabi United Arab Emirates
Zagreb Yugoslavia
Aubervilliers France
Bridgeport Connecticut
Genoa Italy
Seacaucus, New Jersey
San Tropez France
Cochabamba, Bolivia
Sarawak Malaysia
Regina Canada
Rizal Philippines
Cuenco Ecuador
Parma Italy
Huntsville Alabama
Putten Netherlands
Kanpur India
Gutierrez Mexico
Braintree Massachusetts
Peshawar Pakistan
Halifax Canada
Raleigh North Carolina
Olive Branch Mississipp
Callao Peru
Cologne Germany
Sneedsville Tennessee
Panjim Goa India
Surfers Paradise Australia
Penang Malaysia
Bologna Italy
Epsom Surrey England
Oxford Alabama
Poitiers France
Brugge Belgium
Prosperity South Carolina
Papakura, New Zealand
Bangor Maine
Safat Kuwait
Fishkill New York
Trujillo Venezuela

Brugg Switzerland
Ottawa Canada
Gaillac, France
Pickens South Carolina
Gorham Maine
Framenfeld Switzerland
Arequipa Peru
Warrawong Australia
Ancona Italy
Dives sur Mer France
San Fernando Trinidad
Wyong, Australia
Egg Switzerland
Bolsward Netherlands
Juan Griego Venezuela
Aracaju Brazil
Bergamo Italy
Deposit New York
Johore Bahru, Malaysia
Stockton California
Patrai Greece
Roanne France
Bowling Green Ohio
Concepcion Chile
Pfaffikon Switzerland
Cartagena Colombia
Amritsar India
Embarrass Minnesota
Oatley, Australia
Kavala Greece
Toledo Ohio
Padova Italy
Dubuque Iowa
Maracay Venezuela
Valparaiso, Chile
Aarau Switzerland
Ramsgate Australia
Sevres France
Los Reyes Mexico
Quiapo Philippines
Scottsdale Arizona
Izmir Turkey
Wausau Wisconsin
La Coruna Spain
Sunshine Australia
Brescia, Italy
Sharjah United Arab Emirates
Dunkerque France
Orly, France
Yakima Washington
Quetta, Pakistan
Paphos, Cyprus
Timaru, New Zealand
Viziaya Spain
Ipoh Perak Malaysia
Burbank California
Bangalore India
Ragusa Italy
Montpellier France
Callao Peru
Bucaramanga Colombia
Bouake, Ivory Coast

Taichung Taiwan
Beech Grove Indiana
Crissier Switzerland
Bangalore India
Cardiff England
Bayard Nebraska
Lawrence, Kansas
Avondale, New Zealand
Fort Dodge, Iowa
Annecy France
Meudon France
Torino Italy
Palencia Spain
Le Touquet France
Laval France
Otorohanga New Zealand
Marion Indiana
Arana Hills Australia
Rockford Illinois
Kokomo Indiana
Limoux France
Rijswijk Netherlands
Dornbirn Austria
Vlaardingen Netherlands
Gatlinburg Tennessee
Arkansas City Kansas
Fairview Heights Illinois
Pavia Italy
Vierzon France
Hastings New Zealand
Campinas Brazil
Burgdorf Switzerland
Logrono Spain
Kenmore Australia
Arequipa, Peru
Motueka New Zealand
Sonora Mexico
Tamaulipas Mexico
Pine Bluff Arkansas
Pauillac France
Chesapeake Virginia
Pamplona Spain
Avellino, Italy
Lake Worth Florida
Bluefield West Virginia
Armenia Colombia
Saint Marcellin France
Kilbirnie New Zealand
Istres France
Enfield England
Cueta Spain
Aosta Italy
Gladesville Australia
Langres France
Mordale Australia
Nelson, New Zealand
Orthey France
Madras India
Lugo Spain
Rumiang Switzerland
Quillins, France
Invercargill, New Zealand
Tauranga Australia

Rose Bay Australia
Ermont France
Secunderabad India
Paspay City Philippines
Ernakulam India
O Neill Nebraska
Morrison Oklahoma
Leesville Louisiana
Elbeuf France
Wettingen Switzerland
Houilles France
Linz Austria
Aarhus Denmark
Klaksvik Faeroe Islands
Graz Austria
Hereford England
Solothurn Switzerland
Canterbury England
Rajkot, India
Genova Italy
Huntly New Zealand
Enoggera Australia
Paraparumu New Zealand
Sunnybrook Australia
Vevey Switzerland
Staefa Switzerland
Vitre France
Westerly Rhode Island
Condom France
Harrisburg Illinois
Plano Texas
Ainsworth Nebraska
Altona Australia
Bassedorf Switzerland
Kanpur India
Thorndale Pennsylvania
Gran Tarajal Canary Islands
Oatley Australia
Karachi Pakistan
Kiffisia, Greece
St Martinville Louisiana
Gainesville Texas
Coimbatore India
Brentwood England
Pawtucket Rhode Island
Torres Vedras Portugal
Exeter New Hampshire
Orense Spain
Warwick Rhode Island
Goulburn Australia
Latina Italy
Nambour Australia
Yverdon, Switzerland
Matamata New Zealand
Addison, New York
Van Buren Maine
Osaka, Japan
Morges Switzerland
Nadi Fiji Islands
Armenia Colombia
Bergamo Italy
Ragissa Italy

Monza Italy
Shelton Connecticut
Guernica Spain
Darien Connecticut
Burlington Massachusetts
Florissant Missouri
Rocklea Australia
Glenelg Australia
Port Monmouth New Jersey
Te Aroka New Zealand
Creve Coeur Missouri
Yokahama & Shi Japan
Rochester Michigan
Cochabamba Bolivia
Ann Arbor Michigan
Ambato Ecuador
Saugus Massachusetts
Bucaramanga Colombia
Nashua New Hampshire
Falmouth Maine
Wynyard Australia
Trieste Italy
Kreuzlingen Switzerland
Wiesbaden Germany
Penrose New Zealand
Redon France
Multan Pakistan
Treviso Italy
Hjorring Denmark
Padova Italy
Kuesnacht Switzerland
Glenwood Iowa
Cabramatta Australia
Ralston, Nebraska
Blenheim, New Zealand
Jalisco Mexico
Barcelonnette France
Sarawak Malaysia
Bremen Germany
Ibiza Spain
Buchs Switzerland
Courbevoie France
Trenton Texas
Doonside Australia
Otorahanga New Zealand
Karachi Pakistan
Chingola Zambia
Les Andelys France
Montmorillon France
Mbabane Swaziland
Aubonne Switzerland
Lome Togo
Soria Spain
Douala Cameroun
Ajman United Arab Emirates
Syracuse New York
Langon France
Riley Kansas
Zierikzee Netherlands
Riyadh Saudi Arabia
Tauranga New Zealand
Sind Pakistan
Thouars France

Zaragoza Spain
Belfort France
Larnaca Cyprus
Hidalgo Mexico
Broken Hill Australia
Pampa Texas
Venezia Italy
Saint Mande France
Granville Australia
Milan Italy
Tarragona Spain
Svenborg Denmark
Duisburg Germany
Wien Austria
Pontoise France
Linkoping, Sweden
Fortitude Valley Australia
Uzwill Switzerland
Volos Greece
Mons Belgium
Deventer Netherlands
Sedan France
Montbrison France
Varese Italy
Bilbao, Spain
Stafford England
Gosford Australia
Netherlands Antilles
Osaka Japan
Asieres France
Paola Kansas
Gorham New Hampshire
Hasselt Belgium
Maubeuge France
Fort Harrison Indiana
Graulhet France
Cremona Italy
Selestat France
Kloten Switzerland
Subiaco Australia
Papakura New Zealand
Rotterdam Netherlands
Helsinki Finland
Cottesloe Australia
Applecross Australia
Port Villa New Hebrides
La Fleche France
Otahuhu New Zealand
Norfolk Nebraska
Riley Kansas
Salem Virginia
Bedford England
Freiburg Germany
Newcastle Australia
Saintes France
Marignac France
Pescara Italy
Maceio Brazil
Sinaloa Mexico
Machala Ecuador
Glen Eden New Zealand
New Plymouth New Zealand
Columbia Tennessee

Go with Citicorp Travelers Checks and you go with a psychological advantage. You can spend them in millions of hotels, restaurants and stores—from Portland to Pago Pago. You can buy them in over 34,000 places worldwide (more all the time). You can get fast refunds on lost or stolen checks at more than 40,000 locations around the world (with emergency funds in the U.S. through 8,100 Western Union offices, many of them open 24 hours a day, 365 days a year). And on top of this, our checks are backed by America's leading banking institution worldwide. We even have our own Citibanks in 64 countries. So relax and enjoy your trip.

CITICORP®
TRAVELERS CHECKS

Citicorp Travelers Checks were previously First National City Checks, which are honored indefinitely.

increases mean a diminution in use of credit cards and a switch to cash and check. Bad paper is a special worry for Telecheck, as the company buys it from customers and tries to recoup from the writer. (The system involves "negative data banks" listing intentional as well as unintentional bad check writers; if a name is not in the file, a calling customer gets a green light to accept the paper.) Baer is keeping his fingers crossed in the hope that the jump in rubber checks means that the writers are doing no more than "playing the float," hoping to cover overdrawn checks before they clear. "We hope the increase is in bad checks, not bad people," he says.

Man bites bond

When the Minnesota legislature refused last month to ante up $200,000 for the first quarterly payment on an $8.4 million certificate of participation for the Minneapolis Zoo (the money was for a monorail to be used by zoo visitors), it drew fire from an unexpected quarter—Wall Street's E.F. Hutton Co. The contract wasn't a general or moral obligation of the state, but Hutton found the M nesota legislature's refusal disturb and so may other rating outfits. Hu lowered ratings on three state hou finance issues—$593 million in all— is "taking note" of Minnesota's gen obligations. The message is loud clear, to Minnesota as well as to o states, to think twice before defaul on any kind of debt. Why the to stance? Robert H. Muller, vice presi of Hutton's public finance research partment, says: "The legislature originally turned down funding f monorail. But then it gave the Mi apolis Zoo board the right to ente installment sales contract. This was best test of the legislature's willing to pay. The legislature failed."

Feadship

The Finest Custom Yachts In The World.

Feadship custom yachts. Each an original. All of them sleek, seaworthy, elegant and built to stand the test of time. At Feadship, our search for the optimum continues. It must. For we design and build our yachts for the most demanding men in the world. For further information, please respond on your letterhead.

Feadship
America, Inc.

801 Seabreeze Avenue, PO Box 3100, Bahia Mar, Fort Lauderdale, Florida 33316
Telephone: (305) 761-1830 • Cable Address: Feadship • Telex: 51-4342

CUSTOM YACHTS FROM 80 TO 230 FEET
NAVAL ARCHITECTS, DESIGNERS.
BUILDERS OF THE WORLD'S FINEST YACHTS IN STEEL AND ALUMINUM

Lloyd's of Arabia

Rich as they are, the oil sheikhs are touchy about how they spend, on b ness at least. Since last year, w Lloyd's of London slapped a war charge on vessels using the Persian G the Arabs have simmered. They l now boiled over and last month formed a new insurance syndicate $3 billion in capital from Kuwait, Li Qatar and the United Arab Emir With that kind of money, the new sy cate, based in Bahrain, could theoret ly handle $6 billion a year in premiu a third more than Lloyd's, the bi insurance center in the world. The insurance moguls, however, have a problems. First, the insurance mark glutted right now so the Arabs w have to cut rates to get business and cutting is already running wild. Sec the Kuwaitis are known to be loa take on bad risks. Third, life insur which presumably would be part o new syndicate's operation, is consi gambling against the will of Allah.

The music men's revol

Hurt by recording pirates to the tu $400 million to $600 million a yea by perfectly legal home recording fo counted millions more, the nation's sic men are plotting to strike back cording to Irwin Steinberg, exec vice president of PolyGram Corp. third-largest U.S. recorder of popula classical music, one recourse cou collecting royalties on sales of l tapes used for home recording. Th dustry has no immediate plans to legislation in Congress for such a r but they have found a precedent. Germany has such a royalty on ta corders and is considering one on Receipts from a U.S. royalty, perha high as 50 cents per tape, would be among composers, performers, r publishers and record companies.

How A&A sees container shipping

Longshoremen loading a container ship in Staten Island, New York.

For warehouse-to-warehouse ection, Alexander & Alexander s paying attention long before ontainers come aboard. We h through the truck driver's view mirror. We track progress the trainman's timetable. From d depot to dock, from deck to nation.

t's not the way you're used to g ships. Unless, of course, you ne of the shippers on A&A's t manifest.

k management

But these insider vantage points A&A the best view of the risks beset containers, cargoes and els. They form a frame of refer- that helps us design programs inimize losses and to compen- for those that do occur. They le our specialists to simplify the complexities of marine insurance—barges to bumbershoots, crews to claims, charters to captives, rigs to rivers, property to price.

Every business is unique. Each has different needs. For insurance, for risk management, for human resources management, for financial services. That's why A&A works from a client's point of view. Only by working as partners, by solving business problems together, can we be sure a company gets the most comprehensive, cost-efficient programs possible.

We think our dedication to forming a close alliance with our clients is a big reason A&A has become one of the biggest and most trusted insurance brokers worldwide. Each of our 120 offices here and overseas has the facilities, expertise and strength to meet the needs of any company, large or small, in any industry. Because we work the same way with every client. From the client's point of view.

Alexander & Alexander

From the client's point of view.

Dictaphone introduces the subcompact portable.

Dictamite. The smallest dictating machine Dictaphone ever made.

A professional portable that weighs barely 8 oz. It fits right in the palm of your hand. It's ideal for capturing ideas on the spot.

And Dictamite is fully compatible with the new Dictamaster minicassette desktop.

Dictamite. Don't leave the office without it.

Dictaphone
The big name in small portables.

For more information, fill in the coupon or call toll-free:
800-431-1708
Except in Alaska and Hawaii
(In New York, call 914-967-2249)

Name_____
Title_____ Tel_____
Company_____
Address_____
City_____ State_____ Zip_____

Mail to: Dictaphone Corporation
105 Oak Street
Norwood, N.J. 07648

Dictaphone, Dictamite and Dictamaster are trademarks of Dictaphone Corporation, Rye, New York

CF-50

Sugar is sweet—sometimes

"Mention the word 'liquidate' on Wall Street these days," FORBES commented last month *(The Streetwalker, Apr. 28)*, "and the saliva starts to flow." Minneapolis investor Irwin Jacobs had used the word last fall about Holly Sugar Corp., in which he held a 9.8% interest, and Wall Street was off and running with a rush of buying that ended with Morgan Stanley & Co., no less, paying an average $45 a share ($3.6 million) for 5% of the sugar-beet processor. Meanwhile Jacobs, a self-styled "poor boy from the wrong side of the tracks," was liquidating, selling shares he had paid $4 million for in 1978 for over $7 million. With Morgan Stanley buying and Jacobs unloading, FORBES asked: "What's going on here?" and answered: "We don't know but we hope the boys at Morgan Stanley do."

Apparently the boys didn't know, but they caught on fast. By early April, Morgan Stanley's position in Holly had reached 112,400 shares, or 7.1%, at a cost of just under $5 million. At that point the arbitragers off-loaded enough Holly stock to get their holding under 5%, the limit at which disclosure is required. Those 37,400 shares were sold for $1.45 million, or $38.73 a share. With less than 5% and no need for disclosure, only Morgan Stanley knows what happened next. The Street suspects that it got out of the rest of its Holly shares at the market price of about $35. If the average was $35, Morgan Stanley dropped almost $1 million, plus costs.

Profitmaker in Washington

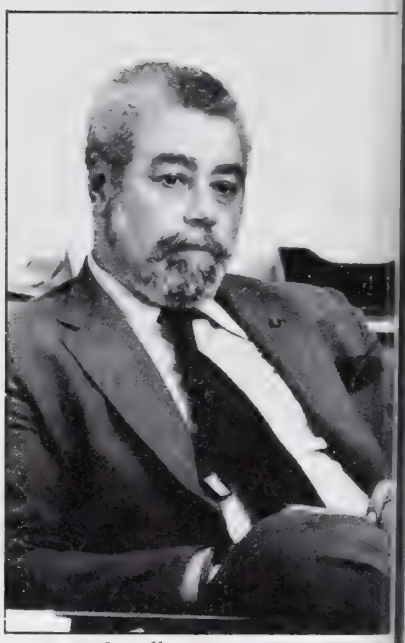
"People forget us until there's a catastrophe," says J. Bruce Llewellyn, 52, president of the Overseas Private Investment Corp., which is really not so much an investment company as a quasi-governmental organization that provides political-risk insurance and loan guarantees for overseas investors. The idea of political-risk insurance was first incorporated into the U.S. foreign aid program in 1948. After several reorganizations, OPIC was set up in 1969 to implement the concept and to spur U.S. investment abroad. Eight years ago FORBES *(Mar. 1, 1972)* found OPIC facing more than $400 million in claims caused by Chilean expropriation of U.S. properties. Today the problem would seem to be Iran but, surprisingly, Llewellyn says he expects no serious losses from the investment disaster in the land of the Ayatollah.

Why is Iran not worrying OPIC? Because hardly anyone bothered to insure against trouble in the shadow of the Peacock Throne. "American investors thought the Shah would be in power for 4,000 years," Llewellyn says, "so no wanted to pay our premiums." He mates OPIC's maximum exposur about $63 million and that's not defi Meanwhile, thanks to the Ayato Llewellyn's business is booming bec companies have been stampeded buying coverage.

Last year OPIC wrote $803 milli insurance, gave $61 million in loans guarantees to 14 projects and turn $58 million profit, largely from the ernment securities it holds. "We are profitmaking business. Unlike other ernment agencies that emphasize s programs, our services can be qu fied," says Llewellyn, former presid Fedco Food Stores, the largest b owned retail chain in the U.S.

In 1972 OPIC's then president, in ment banker Bradford Mills, was ta about trying to run it like a business such tactics as getting reinsurance Lloyd's of London. Lloyd's, Prude Mutual and others are now doing rei ance for OPIC but the problem of ning it like a business is still there.

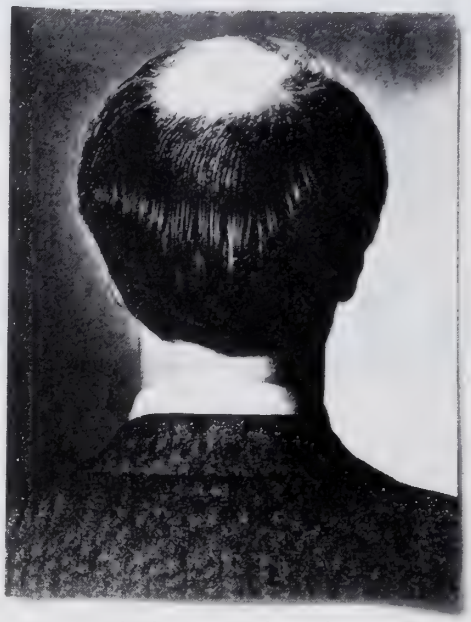
Llewellyn complains about the " rinth" of rules and regulations en by any government agency, incl such strings as per capita income l on a country's eligibility for develop funds. "OPIC must be reauthoriz Congress every three years," he "We don't receive any federal fu but we still suffer budget and pers cuts." Labor unions, which fear ex of jobs, are another worry. OPIC's a report states that it has rejected 63 ects since 1974 because of pot harm to U.S. employment or creati opportunities to bypass U.S. labor l



J. Bruce Llewellyn
Catastrophe only brightens his

Now
you can copy
both sides
of this page
without

turning it over.



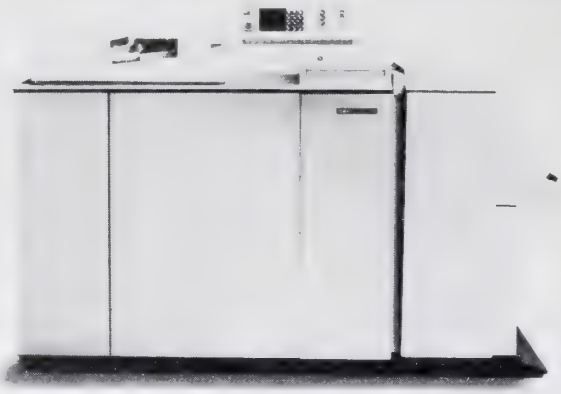
The Xerox 5600. You put in a two-sided original, and get back a two-sided copy. Automatically.

If you copy from two-sided originals, you've turned to the right copier.

The Xerox 5600 is the only one that lets you copy a two-sided original without having to:

(1) copy one side,
(2) turn the original over, and
(3) copy the other side.

The 5600 does it all in (1) step, automatically.



It also collates your copies into nice, neat sets, automatically. And even staples them, automatically.

For more information, call us at 800-648-5600 (operator 263).*

We'll show you how a Xerox 5600 lets you do something more productive than turn over originals.

Namely, reduce office turnover by 100%.

XEROX

*In Nevada call 800-992-5740 (operator 26[illegible]). XEROX® and 5600 are trademarks of XEROX CORPORATION

Follow-Through

C's role in the 1980s will grow as s continues to become more ented," says Llewellyn, whose ment experience includes stints nk chairman, as a lawyer, as a & Urban Development com- er for New York City and as a of the Small Business Adminis- "Americans can no longer think ng a wall around 50 states but over that wall to developing s. The only way to fix our bal- trade deficits is to find new overseas."

Barnum's children

old was headed for $800 an ounce er for $50, FORBES *(Feb. 4)* noted rpies were "using leverage and nes to spin glowing tales of un- nes to gullible investors." Gold e sunk to $500 and silver col- his spring with a crash that hurt ionaires like the Hunt Brothers . The sharpies, however, have e of the old Barnum spirit.

nforcement officials from coast are battling an unchecked tide of gold and silver options sold by ered companies. The FBI in New stal inspectors in Miami and the orney's office in Chicago have rking overtime trying to close an d 200 "boiler room" operations. opular scheme goes like this: A ll tells the mark of a once-in-a- deal to buy gold or silver. Next brochure by mail, and more cording to Assistant U.S. Attor- phen Senderowitz in Chicago, he calls are hard sell to the point "Look how dumb you were for ing yesterday." In another ap- full-page newspaper ads boldly hat gold will go to $3,000 an d silver to $150 (from about $15 hin months.

ng of the options peddlers, ften than not," says John Troel- lawyer for the Commodities Fu- ading Commission, "they take ey and run." Any company sell- modity options must register CFTC; most boiler-room opera- not. The CFTC recently closed New York called the U.S. Metals Corp. In 60 days it made an d 1 million calls and netted $2.5 n contracts. The CFTC and the torney's office estimate that 3,000 buyers a year are taken for ge of $10,000 apiece. "We're not bout grandma and her life sav- says Chicago's Senderowitz, alking about professional busi- who should know better."

For sale.

Research laboratories, offices and workshops complex in the neighbourhood of Arnhem, The Netherlands.

The site within which the complex is situated is 35 ha. of which 32 ha. is in agriculture use. The buildings where designed as laboratories, offices, pilot plant, warehouses and workshops but can easily be adapted for other purposes. The buildings are designed and constructed to a high standard and are well maintained. The services which include air conditioning are technically of a high quality. Floor loadings offices 500 kg/m^2. Floor loadings pilot plant, workshops 1.000/1.500 kg/m^2. The restaurant is fully equipped. Car parking for approximately 100 cars. There are facilities within the complex for the extension of the buildings. Totally 9 buildings with gross areas 10.530 m^2 and net areas 7.715 m^2, 2.100 m^2 greenhouses and a farm house. Detailed report is available.

TOORNEND

& PARTNERS

Ingenieurs voor onroerend goed bv.

Nieuwe Gracht 9,
2011 NB Haarlem, The Netherlands,
Tel. (23) 31 77 94, Telex 41226 topar nl.

CHANGE OF ADDRESS

If you are moving, let us know six weeks before so we can keep Forbes coming. Enter your new address on this form and return it with a recent mailing label from the magazine.

NEW SUBSCRIPTION

To order Forbes, enter your address on this form and check the subscription you prefer. ☐ 1 year $27.00 ☐ 3 years $54.00 (the equivalent of one year free).
Canadian orders, add $4 a year.
Pan-American and Caribbean orders, add $5 a year; other foreign, add $15 a year.

Subscription Service Manager,
FORBES, 60 Fifth Avenue,
New York, N.Y. 10011

ATTACH MAGAZINE MAILING LABEL OR WRITE SUBSCRIBER NUMBER HERE

Name (please print)

New Address

City

State Zip

Date of Address Change

F 4826

Flashbacks

FORBES, the oldest U.S. business magazine, presents here a new feature, Flashbacks. This and later issues will carry items of interest today from issues of 60, 50 and 25 years ago.

Sixty years ago in FORBES

Except for one or two sharp rallies which did not last long nor carry far, the stock market has continued to reflect the credit stringency which was first brought forcibly to Wall Street's attention by high call money rates in April. The countrywide credit stringency has acted upon the stock market in two ways: Corporations that would ordinarily have no difficulty in financing their needs through bank loans have had to enter the investment market and offer short-term notes on a 7%-to-7½% basis; businessmen, unable to obtain the usual volume of accommodation through their banks, have had to dispose of their speculative and investment holdings.

By dealing intelligently and squarely with labor, Fayette R. Plumb, Inc., Philadelphia tool manufacturers, have more than doubled production, reduced working hours and cut down the yearly turnover of the company's 500 workmen 75%. By a system of representative government [and] a series of welfare features, all unrest and discontent in the working force . . . has been eliminated. . . .

From oil wells within the boundaries of the U.S. there is right now flowing two-thirds of the oil production of the whole world. The U.S. is the largest exporter of oil products. We supplied 80% of the Allies' needs during the war, when oil for motor transports, for airplanes, and for the navies that guarded the commerce lanes of the world was an absolute prerequisite to victory. The oil producing, refining and selling industry of the U.S. today dominates the entire world.

May 29, 1920

Fifty years ago

Cartoon from Washington Post, *1930*

What would stockholders and directors of a corporation do to a management that wasted the millions of dollars that our politicians have wasted on Muscle Shoals? Executives responsible for such gross mismanagement, for such unconscionable shilly-shallying, for such ruinous procrastination, for such criminal incompetence, for such crass failure to discharge urgent responsibilities, would be summarily turned out of office. . . . But since the loss caused by our political overlords falls, not on themselves, but only on the meek, defenseless public, why should they move a finger to become businesslike? . . . *Yet some people still favor government ownership and management of business!*

Has "Hoover luck" forsaken the President and has he become "Hoodoo Hoover"? In his first 15 months of off breaks have almost all gone agains Congress has taken delight in d him; and thus far he has totally fa effective leadership. He promis country "limited tariff revision," for the benefit of our farmers. The ington politicians have felt free dulge in unlimited tariff tinkeri gardless of the President's desire have succeeded in incurring the ire agricultural population, other lar tions of the public and nearly eve eign land. His campaign characteri of Prohibition as a "noble experi has been scoffingly used almost time bloodshed has accompani tempts at enforcement.

Ju

Twenty-five years ago

The most exclusive fraternity i corporate affairs is the Billion Doll composed of companies with sale billion or over. In 1953 there w members; last year the memb shrank to 29. . . . Still top dog was C Motors with sales of $9.8 billion; St Oil (N.J.) was next with $5.9 billion gether, the 29 giants rang up cor sales of more than $65 billion. [By 1 roster was 458, and the biggest, Exx revenues exceeding *all* of 1954's dollar babies—*ED.*]

Muted hues are ahead for Detro and '57 models. "We're going to b a bit on our vivid colors," says Th C. Hobbs, supervisor of trim and c Ford. Ford has already droppe shades of purple from its 195 Chrysler reports black is on the customer favor. A GM spokesma "The two-toning is more subtle. .

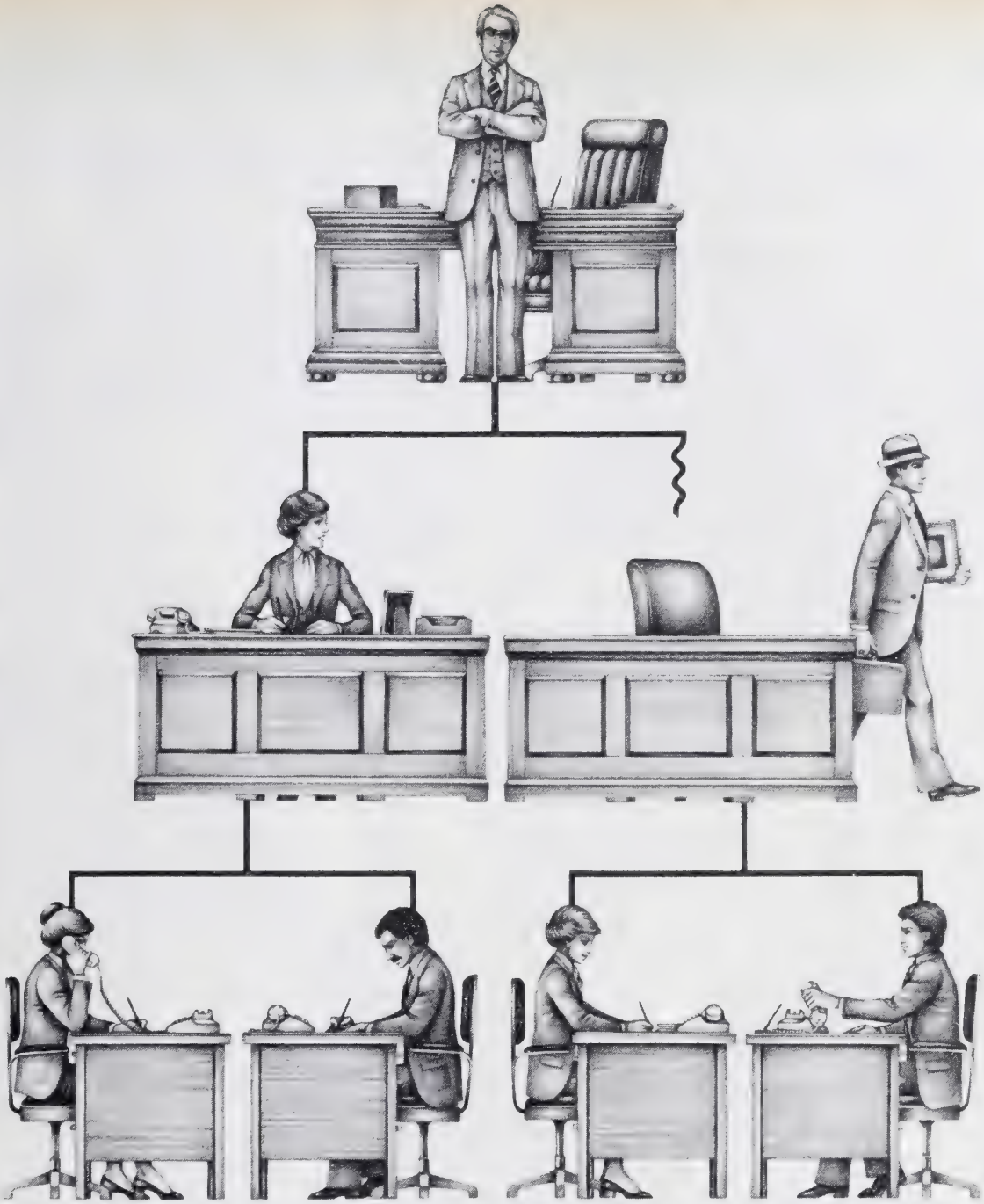
"Right now," said Dr. Robert E. chairman, Standard Oil of Indian could produce about 105,000 more oil a day—if we were allowe

Union leaders feel they missed t in 1954. Business was in the dol Unemployment began to move u Steel production was down to capacity. Union officials, most o realistic men, could read the ec barometers and tempered their de As a result, over 30% of the co signed in 1954 called for "no w crease." Another 50% of the racked up a nickel or less an hour

Brave prediction came from th York brokerage house of Harris, & Co.: "The market [then abo will be at the 550 level when Pr Eisenhower is sworn in for his term. Until the time that Ike ad is in the race, the market will c to fluctuate in a healthy trading r

Ju

Texas oilfield in 1920



How to keep your business' greatest asset from walking out on you.

Talk to Prudential about our Executive Compensation Plan.

If you can't keep key people happy, you can't keep them. But top people pay top taxes, so how can you reward them with something they can keep? Prudential's Executive Compensation Plan helps you do just that.

For selected employees, it's a smart way to build supplemental benefits. Long-range compensation can be more valuable than a raise, bonus, or dividend because it's taxed later, when they're usually in a lower bracket. And because the plan is custom-designed to their needs, it can mean disability compensation and death payments as well as retirement income.

For you, Executive Compensation is a way to attract and keep key people. It can be less costly than big raises—less inflationary, too. Plan funds are your assets, and can be used as emergency working capital. Benefits can be deducted from your income when they're reasonable compensation. And you don't need IRS approval to set up the plan.

All you do need is the professional guidance of your Prudential representative. Call today, and find out how to keep your top talent sitting pretty.

Prudential

Life Health Auto Home

The Prudential Insurance Company of America.

Support Carter?

SIR: You supported Mr. Bush; he has no chance any longer. You supported Mr. Ford; he declined to run.

Why don't you give us all a break and support Mr. Carter?

—M.T. Jennings
Toronto, Ont.

Hard times ahead

SIR: Let's refute the simplistic notion that our economy is about to experience a short, painless recession. As long as Washington continues to make political decisions, the economy can only take a long fall.

Implementation of a tight monetary policy has to be coupled with substantial tax cuts and restricted government spending.

A balanced budget achieved by increasing taxes only dries up potential recession-fighting investment.

—David John Fitzpatrick
Chicago, Ill.

Thanks, but no thanks

SIR: I noticed the quote on page 27 of your book, *The Sayings of Chairman Malcolm* ("One group of doctors who still make house calls: coroners."). All doctors in rural Iowa do still make house calls. The charge for a house call, day or night, is $25 plus 50 cents per mile. If you need a house call, please let me know. I do have a license to practice medicine in New York.

—Opas Jutabha, M.D.
Sigourney, Iowa

Let's see—981 miles from Sigourney to our New Jersey house would make the call $25 plus $440.50 . . . but thanks anyway, Doc!—MSF

Which numbers?

SIR: Because you do not restate sales and earnings to reflect operations that have been discontinued or disposed of, the figures that you show for NL Industries *(May 12)* differ markedly from our own audited figures.

Thus your sales table on page 216 should show a 17.7% increase in sales for 1979 over 1978, not a 4.4% decrease. Similarly, NL's earnings should be $111.9 million, rather than the $85.7 million you showed. Also, there was a typographical error in reporting our earnings per share as 0.00 instead of the record $3.28 that we actually reported.

—R.W. Unwin Jr.
Director,
Public Affairs & Corporate Communications,
NL Industries, Inc.
New York, N.Y.

In the interest of overall consistency, we do not adjust sales and earnings backward to reflect discontinued operations. In NL's case, however, such an adjustment does give a far more accurate picture of corporate progress and we are glad to set the record straight.—ED.

Unhealthy comparison?

SIR: Re "One Sick Health Ad, One Healthy One" *(Fact and Comment, Apr. 14)*. To have lifted a trade magazine malpractice insurance ad out of its context and to have attempted a comparison with an FTD flower ad designed for general publication is as equitable as giving a quadriplegic malpractice victim a bouquet of flowers as an award for his lifelong injuries.

—David Foege
Executive Vice President,
Dama Co.
Washington, D.C.

Not so high-priced?

SIR: The article "Searching for a cheap kilowatt" *(Mar. 17)* indicated that Iowa Electric's industrial rate for a customer having a hypothetical load of 1,000 kw demand and using 400,000 kwh per month would be the eighth-highest in the nation at 5.17 cents per kwh. The article contained no qualifying statements about the matching of service conditions. On average, Iowa Electric Light & Power's large general service customer utilizing the rate for the calendar year 1979 actually averaged 176,291 kwh per month at an average price of 4.24 cents per kwh, including the 0.84-cent kwh surcharge.

—James M. Davidson
Senior Vice President,
Iowa Electric Light & Power
Cedar Rapids, Iowa

Gas tax

SIR: Re Robert Nelson's recent article urging a large federal tax on oil products as a means of reducing domestic consumption *(Mar. 31)*.

Such European nations as Italy, Greece and France have had such taxes in effect for years. Has Mr. Nelson seen the traffic in Paris, Athens or Rome recently?

The elasticity of demand is ope serious question.

—James A. Carouso
Glendale, Ariz.

SIR: In 1973, when prices jumped 38 cents a gallon to 65 cents a gallo noticed it, and price-elasticity ass tions might have been relevant. current increases escalating only m ately, we notice it but we don't fee impact as dramatically. Unless the price doubles from its current leve challenge the effectiveness of any hikes.

—Bruce A. Kesselman
Woodbridge, N.J.

The fact is that as a result of large hikes, gas consumption fell 5% last yea is down 8% to 9% so far this year.—ED

Still exists

SIR: In "Back from the brink" *(De 1979)*, you state that "HMW is no that survives of a once proud Ya name, the old Hamilton Watch Hamilton Watch Co. still exists a fact is alive and doing very wel expect a great year in 1980.

—J. Paul Zanowski
President,
Hamilton Watch Co., Inc.
Lancaster, Penna.

Mellowing?

SIR: You must be "mellowing," s have noted a sharp decline in lette questing "subscription cancelation

—William Chandler
Rochester, N.Y.

SIR: Re your comments supporting subscription cards *(Fact and Com Apr. 14)*. I will not renew my subscr to FORBES.

—Ben Price
Schenectady, N.Y.

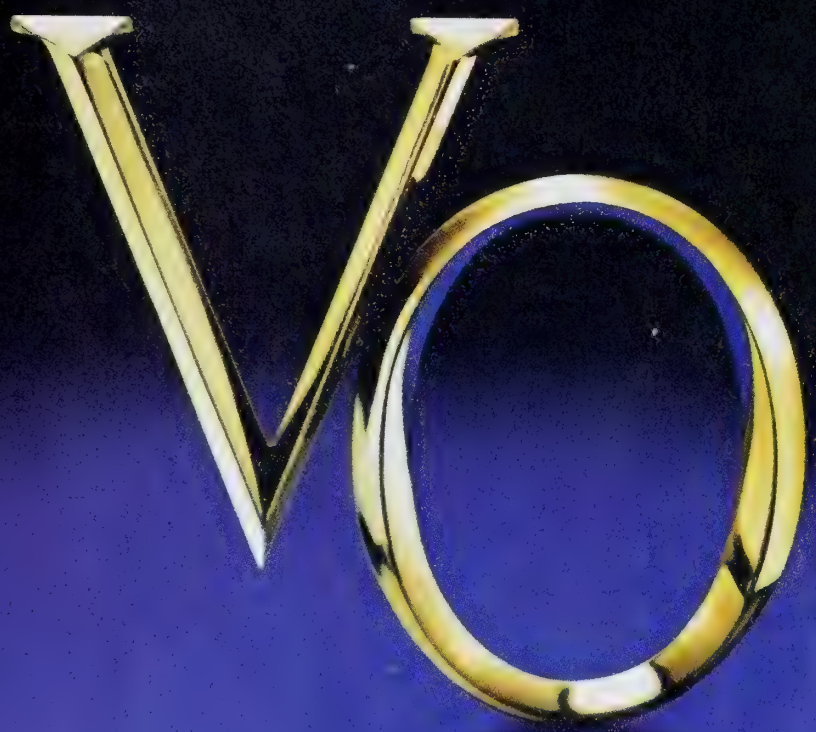
SIR: First you advocate giving aw Panama Canal, and then you Ronald Reagan for the GOP nomin Cancel my subscription.

—D.E. Caris
Whitehall, Penna.

SIR: I get tired of people writing "(my subscription." Add me to you long subscription.

—Gary E. Blodgett
Birmingham, Ala.

On Father's Day, live up to Dad's expectations.



Seagram's V.O.
The symbol of imported luxury. Bottled in Canada.
Enjoy our quality in moderation.
Canadian whisky. A blend of Canada's finest whiskies. 6 years old. 86.8 Proof. Seagram Distillers Co., N.Y.C.

"Engines run on a mixture of air and fuel. Fortunately air is free. But unfortunately natural atmospheric pressure limits its supply," states to Audi engineer Franz Hauk. "This poses a natural limit to the amount of power that can be extracted from a given displacement before an engine simply runs out of air. Making an engine larger will increase power but this will necessarily compound the inefficiency inherent to any naturally aspirated engine design."

Enter the impeller-turbine wheel – key component of the new Audi 5000 Turbo's turbocharger.

This simple device makes horsepower out of thin air for the new Audi 5000 Turbo.

"The turbine wheel fixed to the left of this shaft is spun by an unusual power source – exhaust gases, a combustion engine's waste product. It spins the impeller wheel on the right which is actually a fresh air compressor." Under peak engine load and rpm the impeller will deliver air to the engine under pressure of up to one-and-a-half times the atmosphere's. The result is a greater volume of air and a near 30% increase in power on demand.

Thus, this simple device, spinning at up to 100,000 rpm, increases the output of the Audi 5000 Turbo's engine in a way that is far mor efficient than adding an extra cylinder – the Turbo's extra power is

Franz Hauk,
Engine Designer,
holding the
impeller-turbine
wheel.

there only when you want it. But there is more to the Audi 5000 Turbo. "We set out to build a thoroughly refined high performance luxury sedan. This involved developments on all fronts. From the dynamic safety and handling built into its front-wheel drive layout to the thoughtful
ry and convenience of its interior, my colleagues and I feel we have
eeded. But we would like you to see for yourself."

che+Audi: Nothing even comes close. For your nearest dealer, call
ree: (800) 447-4700. In Illinois, (800) 322-4400.

The order is more than just alphabetical

In 1979 Airbus Industrie sold more twin-aisle aircraft than any other manufacturer; taking the total sales of A300 and A310 over the 400 mark.

To date, over 30 airlines worldwide have chosen these wide body twins.

They chose them for their true wide body comfort, their extraordinary cargo capabilities, their remarkable fuel efficiency, and their sheer profitability. Not to mention the company that stands behind them.

Little wonder that the A300 and A310 are the number one twin-aisle twins.

Airbus Industrie

Fact and Comment

By Malcolm S. Forbes, Editor-in-Chief

THE CHANGE IN CONSUMER ATTITUDE

profound and potentially devastating. The inflation hat came from consumers rushing continuously to buy hat they felt would cost more tomorrow has largely, uddenly, ceased.

reater degree than probably contemplated, the sudden in of plastic credit across the land, the soaring unem- nt in the construction and automotive industries and the consternation at credit curbing in farming states have caused this dramatic reversal.

Money, liquidity, cash, savings are back in vogue.

Concern with one's job has replaced concern with grabbing everything wanted since it would cost more later.

While the change will help retard inflation, it is rapidly deepening the recession.

CARTER GETS MAJOR BLAME, NOT FOR ATTEMPTING

ry rescue of our hostages in Iran, but for the appalling our military who couldn't keep enough helicopters even to get to the scene. Apparently the carrier whence ne had but 7 of the required 17 maintenance chiefs.

has cut $38 billion from former President Ford's five- ense plan submitted four years ago. His ringing call for owth in defense spending following the Afghanistan has turned out to be a phony—a transfer of unspent funds from this year to next year's budget. In the past luction of flying time caused by budget cuts plus the to keep highly trained technicians has resulted in the osing 126 aircraft and 74 men—not counting the 8 left anian salt desert.

I don't know whether the Russians are more emboldened by Carter's flip-flopping lack of leadership or by their knowledge of the degree to which this Administration has permitted our military capabilities—conventional and atomic—to erode. But how do you suppose our Mideast oil sources, our NATO allies as well as our enemies feel about our present military strength when they assess such a failure of equipment even before nearing the rescue objective?

It's arguable about the timing of the attempt: Many think it should have been tried sooner; some—not many—think it should never have been tried at all. These points pale next to the dramatic and bloody revelations on the state of our military hardware and its maintenance.

TODAY'S SAD TALE OF WHAT'S HAPPENED TO BONDS

really not have come as any surprise to me, with es of a sorrowing youthful experience.

9, to mark his 50th year, my father gave each of his a $1,000 Cities Service Bond. As a ten-year-old with a allowance (a dime went pretty far in a five-and-dime those days), I found it hard to conceptualize this s gift. But Lesson One came rapidly—

en yearning, pleading, saving for and nagging, cajol- ming about a balloon-tired, chrome-fendered bicycle local Sears store had on display. It cost $38.50. ad, with befitting solemnity, handed each of us his y joy was unbounded. Using $38.50 from it would be a relatively insignificant amount out to buy my bike.

But when I excitedly turned to Mother and asked how soon we could get to Sears, my father thundered that "bonds are not for cashing in. They are security for the future."

No bike.

At the time of the gift, I had thought, with bitter disappointment, how much I'd rather have had the bike than the bond. It turned out I'd have had more if I *had* had the bike instead of the bond.

Four years later—1933—the bond itself was virtually worthless.

So, what else is new? . . .

SELF-INSURANCE SURE SAVES MONEY

Until there's a consequential claim.

IF ASHLAND OIL IS EVEN HALFWAY RIGHT

in its estimate of the impact of a new way it has developed to get 25% more gas out of every barrel of oil, it should be hailed as the year's Corporate Hero of the U.S.A. According to able Ashland Chairman Orin Atkins, our imports of oil could in half if all U.S. refineries adopt this new technique.

Oh, please, can this be even nearly possible?

IN THE NAME OF GOODNESS, AN INSIDIOUS RESOLUTION

We could easily eliminate cancer if we promptly eliminated those who have it or get it. There would be nobody alive suffering from it. So far as I know, no one is advocating this instant solution to an as yet unresolved problem. To the best of my knowledge there's not even a congressional resolution—as yet—proposing such a draconian cure.

But there has been submitted a congressional resolution (No. 220) to tackle in an analogous way the problems created by a tiny number of persons who happen to be motorcyclists. A dozen presumably well-intentioned, intelligent (presumably) congressmen have proposed the establishment of a "federal strike force" to go after "outlaw motorcycle gangs," which are "united in an organized international criminal association involved in the kidnapping, enslavement and physical abuse of women; receive enormous profits from drug production, drug-trafficking, gun-running, theft and murder by contract; use their illegally gained profits to take control of legitimate business enterprises and to drive lawful business owners out of business; and, through their size, power and ability to cross state boundaries, pose overwhelming problems for local and state law enforcement officials."

(l. to r.) *Representatives Barry Goldwater Jr. (R–Ca.); Charles Pashayan Jr. (R–Ca.); Ronald M. Mottl (D–Ohio); James Abdnor (R–S.D.); Charles Grassley (R–Iowa); Willis D. Gradison Jr. (R–Ohio); Robert Lagomarsino (R–Ca.); Trent Lott (R–Miss.); Wayne Grishham (R–Ca.); Charles F. Dougherty (R–Pa.); John H. Rousselot (R–Ca.); Robert S. Walker (R–Pa.).*

And all along we've been thinking inflation was a major problem; that Iran's seizure of U.S. hostages was a big problem; that the U.S.S.R.'s takeover of Afghanistan and threat to the Mideast oil on which the Free World yet depends was grave concern. And all the time the real threat is "c motorcycle gangs," the definition of which apparently i left to any and all local, state or national officials.

So far as I know there is a Justice Department, an F multiple state and local la forcement agencies to e laws against illegal drugs, k ping, enslavement, extortic murder. Should the fact tha of those crimes are *som* committed by persons wh motorcycles call for maki other 7 million American ride 'em subject to haras any time two or three of th together for a ride? How special strike forces for breakers who also share e asm for horses or Chevrol Budweiser or blondes?

Fortunately, the combina a dozen constitutional claus amendments along with a hundred U.S. senators a other 423 congressmen should make the passage of I tion No. 220 unlikely. So the 7 million of us who som ride motorcycles and the additional thousands who a ing motorcycles a less expensive, 50-miles-and-more-p lon-of-gas alternative in the energy crisis are unlikely branded and hounded as outlaws.

That such a resolution should garner a dozen congre sponsors does shake one up a bit, though.

MAKING IT PERFECTLY CLEAR

Recently a lengthy letter to the editor arrived with this note covering the first page: "To the secretary who opens this letter. This is a personal letter between the editor and myself. It is not for you to open this letter any further. If I had anyone besides the editor to read this letter, I woul addressed it to you, or someone else."

REMEMBER WHEN STEWARDESSES WERE (AND HAD) FIGURES

of glamour? Now, sadly, they're be-trayed, hassling drink and food from takeoff to landing, with no time to pause, purr, puff pillows—and dreams.

SPEAKING OF FLYING, CRYING BABIES

in nearby seats are irritatingly too often the subject of laments by other passengers. Don't they ever stop to think what our whole trip is about? Without crying babies, for crying ou what future would there be?

BOOKS

Obituaries—by William Saroyan (Creative Arts Book Co., $15). His Pulitzer Prize-winning play, "The Time of Your Life," is a classic. This book, 354 pages of repetitive, meandering musings, pegged to *Variety* magazine's listing of the somehow-related-business Dead of 1976, has bright spots but getting the chaff to 'em is a chore. It's too bad his publisher have an editor.

: . . . I say no, death is not sad, not at all sad, except-aps to a small survivor who doesn't know what else out it except howl.

Caravansary-Alone in Moslem Places—by Richard de Combray (Doubleday & Co., Inc., $12). Some of the text better captures the flavor of North Africa than the numerous photographs.

Excerpt: *Everything in Abu Dhabi comes from somewhere else except for the fish, a few crops and the oil. Even the oil has to be sent elsewhere to be refined. By the time it returns it is expensive. You cannot drive up to a gasoline station and fill up a tank for a dollar. The sand is the wrong sand for construction. The grains are round rather than sharp, and they do not adhere. The final indignity is that sand has to be imported.*

WHEN THINGS ARE BAD

we take a bit of comfort in the thought that they could always be worse.

And when they are, we find hope in the thought that things are so bad they have to get better.

IF YOU REALLY CARE

others will too.

IN PEOPLE, WHAT YOU LOOK FOR

you find.

A SETBACK FOR DEMOCRACY

By M.S. Forbes Jr.

he Supreme Court, in a recent de-on, sharply restricted the ability of ted officials to remove public em-ees solely on the basis of party iation, including those in policy-king positions.

y placing policymakers outside patronage system, warned dis-ing Justice Lewis Powell, "Federal es will now be the final arbiters as hom federal, state and local gov-nents may employ." Another, e detrimental outcome will be "to ease the accountability and to grate the role of our national po-al parties."

nd we'll certainly get a surge of ation.

stice Powell understands what es a democracy work better than udicial colleagues do. We're long the "to the victor belong the ls" era of the 19th century, when nange of political parties meant lesale dismissals of government kers.

ow does a mayor, governor or ident persuade incumbent poli-akers, not to mention tenured servants, to respond to his pro-ns without the ultimate threat of nissal?

here's more to governing than ning elections or passing laws. idea that the civil service is a partisan instrument ready and ing to carry out the wishes of elected superiors doesn't often square with reality. Bureaucrats have their own interests, and they will defend them. "Fighting bureaucracies," Franklin D. Roosevelt used to say, "is like punching a pillow."

Restricting discretionary appointments to speech writers, press secretaries and the like will hurt elected officials' ability to govern effectively, thereby making government even less responsive, less accountable than it already is.

NO RELIEF

The sharp decline in interest rates won't provide much help for those hit hardest by the money crunch—consumers and small businesses. Credit will be preempted by Washington.

Government deficits are ballooning. The spending cuts talked about by Carter and Treasury Secretary Miller are largely a charade. Moreover, the recession's growing severity will increase spending through mandatory "safety net" outlays, and decreasing economic activity will cut tax revenues. Paul Volcker won't finance very much of the resultant red ink from the Fed's printing press.

Money will remain tight for those who need it most.

AN UNNECESSARY SUBSIDY

Here is a small but all-too-typical example of the way the Carter Administration has been tackling our energy problems.

A couple of weeks ago the Department of Energy dropped its efforts to phase out special subsidies to small, inefficient refineries.

Most of these "teakettles" have no economic justification. They lack the productivity and flexibility of larger refineries.

There is, for instance, a crying need in this country for refineries that can process high-sulfur crude, which is plentiful and which sells for $4 to $6 less per barrel than the low-sulfur variety. At the same time, we have *excess* refining capacity for low-sulfur crude, which is what the teakettles handle. We also need more capacity for unleaded gasoline. The bigger refiners can better and more cheaply make the necessary adjustments than the teakettles can.

Yet thanks to government handouts, small refineries have proliferated since the 1973 Arab oil embargo, while Energy Department regulations have hobbled development (by not permitting investment costs to be fully recovered) of units that could refine high-sulfur crude.

This silliness was so great that the Energy Department finally decided to terminate the program. The small refiners and their high-priced lawyers and lobbyists howled. As a result, DOE has backtracked, figuring that the subsidies are scheduled to end in late 1981 anyway. Between now and then, DOE will fritter away another billion dollars on the teakettles.

Other Comments

Often comments by others stimulate, irritate, abuse or amuse this editor's mind. -MSF

It's Unbelievable

If Congress wants to do something constructive, it ought to investigate why the Pentagon can't find eight helicopters that work. As sketched in an article by former National Security Council staffer John Lehman the day the failure was announced, the answer is likely to be that in many mundane areas the military has been on a starvation budget. Materiel stocks are dwindling and trained technicians are leaving the service as a pay cap cuts their real income. For this both Congressional and Executive branches bear responsibility.

—*Wall Street Journal*

* * *

"It's unbelievable," said an Army lieutenant colonel as he had a glass of milk in the Pentagon cafeteria. "Can't we have military operations without an accident? Can't we have helicopters that work? I mean, it's unbelievable!"

—*New York Times*

Press Fatheads

There is this to be said about newspapermen, by their counterparts in television: they almost invariably tend to be, or to become, terrible bores and fatheads: they are so excitable, so thrilled by being everlastingly at the center of the world's mischief and disasters and crimes that they believe they are also large, as the news is always at least that—very large. The longer they stay in business the farther they travel away from the small, one human being at a time.

—William Saroyan, *Obituaries*

Bring Back the Spoils System

A resistance to evaluation is built into the civil service system. Even after the passage of the recent civil service reform act it is extremely difficult and time-consuming to fire lazy, indifferent, or incompetent employees. The way to break down the resistance to evaluation is with politics: if the inspectors general won't review the performance of the bureaucracy, let the voters do it. Does this mean a return to the spoils system? Not in the sense that it would result in unqualified employees. A politically appointed typist could still be required to type 50 words per minute. And we need government workers who are political in the sense that they are appointed and fired at will, and who will therefore be eager to make the government work well enough for the voters to reelect the politicians who appointed them. Remember that when the Post Office was political, the mail was delivered on time. If it wasn't, you could fire the postmaster.

—by Charles Peters, editor-in-chief, *The Washington Monthly*

Castro's Deconvertibles

"These exiles, this scum left Cuba," he said. "I stayed. Now they come back. They are fat, they have fine clothes, they can spend dollars to eat in restaurants I can't eat in, to drink in bars where I cannot go. Imagine, a country where there are places which will not accept the money of that country." The speaker is a middle-aged black professional, with a graduate degree. He is one of thousands of Cubans for whom the visits of Cuban exiles, the "comunidad," have had a profound impact. Nursing his bitterness, he has stayed. Thousands of others, including his teen-aged daughter, have decided to leave.

—*New York Times*

Resource Restrictions

Washington owns more than 760 million acres in 50 states, fully a third of the country's total land area. Some of this land, to be sure, is intensively and productively used, for military bases, Indian reservations and public works projects. But much of it still exists as vast forests and rangeland. . . . Industry is lobbying heavily against additions to the wilderness system. Businessmen contend the country already has much more derness than it can make good us and if the pending restrictions passed, much of the most prom lands—in terms of natural resour will be off-limits. As William Dre dean of the University of Arizona's lege of Mines, puts it, "We're tra away our future, and we're really goi feel the pinch in another 10 or 15 ye

—Niles Hov with Marjorie Siegel, *Dun's Re*

"Four gallons, please, and can you gift wrap it?"

I think the index is telling something.

—Felix Tamm, Departme Commerce economist, comm ing on the latest plunge in the i of leading economic indic

Daughters for Sale?

I was being driven to Dubai. The d Mohammed, was from Abu Dhabi asked, "How much does a wife co New York?"

I thought awhile before answe The sand stretched to all horiz "Nothing."

"What do you mean, nothing?"

"Nothing," I repeated. "They're f

He puzzled over that for almost a meter. "*Aib*," he said finally. "T families shouldn't just *give* them a They should take some profit."

—by Richard de Combray, *Caravan*

Easy Ride out of Debt

The credit counselors who deal people already in bad financial shap there isn't much to be done for a suburban homeowner now feeling pressure of a changing econ . . . Florida's David Myhre of the sumer Credit Counseling Service that the simplest palliative is to older, gas-guzzling cars and replace i with cars that get good mileage. An boss, Harry Brown, says he is advi people "to get out of an auto and o motorcycle."

—*Wall Street Jou*

Critic's Great Line

This time I think it's really safe t that the movie *Heart Beat* is not fault of the actors. The screenplay i yond repair except by a shredder.

—reviewer Vincent C

* * *

Very nice, though there are stretches.

—Antoine de Rivarol (1753-1801) viewing a two-line poem, in *The Bo Insults, Ancient and Mo*

MULTIPLY THIS KEY BY 3,674,201 OVERNIGHT GUESTS

AND YOU UNLOCK A SMALL PART OF AMFAC.

Our Hotels and Resorts division is in a dynamic expansion program. We currently operate 23 hotels and resorts with a total room count in excess of 8,500. In 1981 the figure will jump to 10,300 rooms; in 1982 to 12,700. Yet, from the largest hotel in Texas to the "most Hawaiian" resort in Hawaii, Amfac Hotels & Resorts is only one part of us.

There are more divisions to this well-positioned $1.7 billion "Forbes 500" Company. In 33 states, Amfac means growth in the wholesaling business. The West Coast and Hawaii know us for our 17 Liberty House department stores. We are a significant producer of potato products, mushrooms, cheese and shellfish. And we are America's largest sugar producer. All of which added to record earnings in 1979. We're a growing concern. Concerned about growing.

For more information and our annual report, write Grafton Jhung, Amfac Inc., Western Regional Office, P.O. Box 7813, San Francisco, Calif. 94120.

Amfac

Bringing you life's little things, in a big way.

The whole is greater than the sum of its parts.

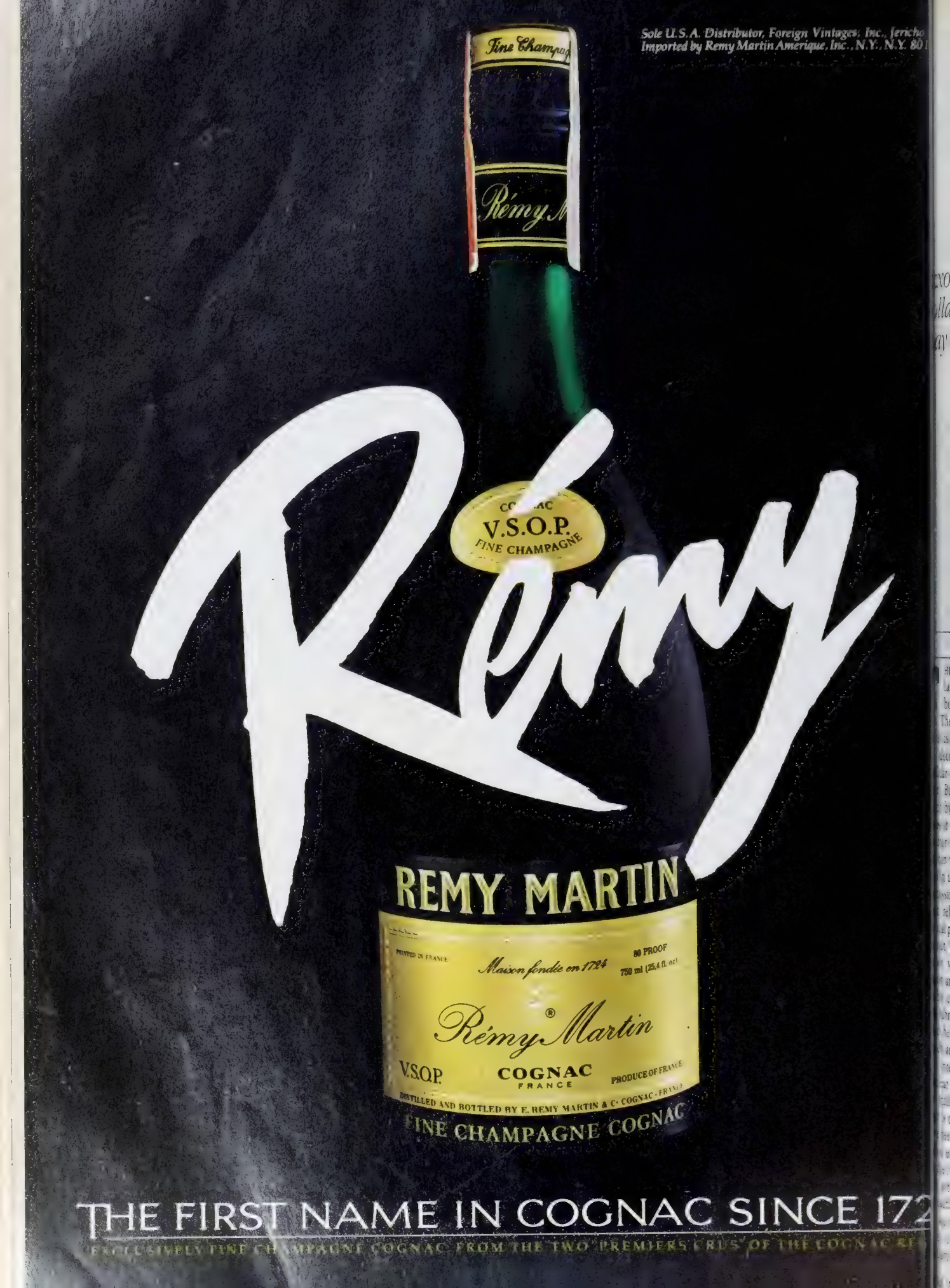
A single package of services specifically tailored to the needs of the individual client is certainly greater than the sum of several separate proposals. Deutsche Bank, with its comprehensive knowledge in all areas of business, is uniquely equipped to find just the right solution to your problems with appropriate flexibility.

Handling foreign exchange transactions, arranging an export credit that takes into account the regulations of the importer's country, setting up a long-term loan for a joint venture — all are within the scope of our services.

Come to Deutsche Bank and ask our experts or call:
New York (212) 940-8000
Toronto (416) 865-0630

Deutsche Bank
A century of universal banking

London Madrid Milan New York Paris São Paulo Tokyo Representative Offices Beirut Bogota Cairo Caracas Istanbul Johannesburg Lagos Mexico Moscow Nairobi Osaka Rio de Janeiro San José Santiago Sydney Tehran Tokyo Toronto Subsidiaries Hong Kong London Luxembourg Singapore


Sole U.S.A. Distributor, Foreign Vintages, Inc., Jericho
Imported by Remy Martin Amerique, Inc., N.Y., N.Y. 80
Rémy
V.S.O.P.
FINE CHAMPAGNE
REMY MARTIN
PRINTED IN FRANCE
Maison fondée en 1724
80 PROOF
750 ml (25.4 fl. oz.)
Rémy Martin
V.S.O.P.
COGNAC
FRANCE
PRODUCE OF FRANCE
DISTILLED AND BOTTLED BY E. REMY MARTIN & Cie COGNAC - FRANCE
FINE CHAMPAGNE COGNAC
THE FIRST NAME IN COGNAC SINCE 172
EXCLUSIVELY FINE CHAMPAGNE COGNAC FROM THE TWO "PREMIERS CRUS" OF THE COGNAC RE

on has suffered such heavy political and ar losses on its nuclear program that it scrap a decade-long research effort.

Exxon's nuclear frustration

By Carol E. Curtis

HE STALEMATE OF nuclear energy is amentable, but a fact of life, and usinessmen must deal in reali- he latest to virtually throw in the s giant Exxon Corp. The company cided to scrap almost its entire research and development pro- But Exxon is being done in not so y antinukers as by political deci- f the federal bureaucracy.

spending $147 million over the years to carve out a leading posi- uranium enrichment and fuel re- ing research, the company has ebuffed by Washington at every point. "The government has shut ," complains Jack F. Bennett, a vice president and director of and its chief financial officer.

company's uranium-mining and rication activities have scarcely etter. Those nuclear operations, are divided among Exxon U.S.A., ternational affiliates and Exxon r Co., lost $25 million in 1979 and llion in the first quarter of 1980. consistent with the red ink they en producing since 1969, the year entered the nuclear business. In losses have mounted to $215 mil- ith capital tied up in the business- hing $211 million last year. "We ing the effects of low contract and large cost increases," says n T. England, vice president for corporate affairs and general counsel at Exxon Nuclear.

To put the red ink into perspective, for a company as huge as Exxon it is little more than a pinprick. Exxon's $28 billion in gross revenues in the first quarter of 1980 put it far ahead of General Motors as the world's largest industrial concern. On an annual basis, Exxon's revenues far exceed the gross national product of Sweden. On a canvas that huge, $215 million in losses shows up as a mere dot. The losses were not big enough to stop Exxon's profits from rising 102% in the first three months of this year.

Still, the nuclear setback has been painful enough for Exxon to abandon its decade-long effort to become a leader in nuclear technology. Two of Exxon's major nuclear research programs, centrifuge enrichment and reprocessing, have been scrapped. A third, its privately funded laser enrichment, is likely to stop at the end of the year.

One of the biggest political blows for Exxon Nuclear was in centrifuge, a process for enriching uranium. Exxon had spent $35.3 million on centrifuge research to carve out a leading role in the technology. As a result, the company had high hopes of being chosen by the government to manufacture centrifuge machines for use in government-owned uranium enrichment plants.

But the Department of Energy announced last August that it had selected three other firms—Boeing, Garrett and Goodyear—to do the work. "It was to our considerable astonishment that we were not selected," says England. "We felt we had the finest scientific team."

Alas, the real reason for Exxon's rejection was not the quality of its research. It was a political decision. Exxon was under attack on antitrust grounds for its $1.2 billion purchase of Reliance Electric Co. The attitude toward the company in government circles had turned sour. "Exxon Nuclear may have been a casualty of the Reliance acquisition," says one Exxon executive.

Whatever the reason, the announcement caused Exxon to disband the team working on centrifuge. It also added the $35.3 million to its research losses.

In laser enrichment, Exxon's dollar losses were greater. Since 1971 Jersey Nuclear-Avco Isotopes, Inc., a joint venture of Exxon Nuclear and Avco Everett Research Laboratory, Inc., has spent $69 million to advance the technology. The company planned to begin construction of a laser enrichment pilot plant late last year, and had filed a licensing application in 1976 with the government.

But after much hemming and hawing, the DOE and the State Department have unofficially agreed that private companies should not be involved in the technology at all. Without a stake in the action, Exxon reasoned that further research spending would serve little purpose. As a result, Exxon has asked the government to continue funding for the entire program—the scientific team and the technology. If the government does not pick up the tab by the end of 1980, Exxon may close down the project.

In nuclear fuel reprocessing, the story is similar. After putting together a research team and spending $42.5 million to develop reprocessing technology, Exxon was again stung when President Carter decided to indefinitely defer all commercial reprocessing programs in the U.S. As of December 1977 Exxon ended all of its reprocessing work with the exception of one DOE contract.

One after another, these political setbacks have had a chilling effect on Exxon's willingness to throw more good money after bad. The company now believes its own experience could set the pattern for other big companies. "One has to question whether anyone in pri-

vate industry would step forward and invest [in these areas] when policy might change again," says England.

Despite the gloomy prognosis for research, Exxon remains optimistic about its uranium-mining and fuel-manufacturing efforts. For, while orders for new power plants have dried up in the U.S., uranium will still be needed to fuel existing reactors and those being built. The company predicts that the worldwide market for its uranium and fuel rods will more than double over the next decade.

All this raises some vexing questions. To what extent do the American people want politics to interfere with technology? If Exxon is so big that it should be frozen out of businesses other than oil, isn't this a question that should be de ed in Congress rather than in the reaucracy? A note of vexation creeps Bennett's smooth New England dences. "By this time," Bennett "we had hoped to have an integra well-rounded nuclear capacity. The ernment simply doesn't want us in business."

Meanwhile, back at the oil company—the Saudi advantage

JUST ANOTHER $75 MILLION—small change—and Exxon would have earned $2 billion in the first quarter of 1980. That's more than it ever made in a full year prior to the day OPEC decided the price of oil would be whatever OPEC said. All of Exxon's oil areas showed strength. In the U.S., exploration and production earnings were up 74%, to $538 million. The gains were even bigger in domestic refining and marketing, where earnings rose from $38 million to $118 million. Abroad, Exxon's foreign exploration and production activities shared the increases, rising 38%, to $567 million. Foreign refining and marketing soared 108%, to $410 million.

Oilmen are understandably ambivalent about this kind of thing. High profits are nice. That's the way you keep score in business, isn't it? But they also bring Jane Fonda and Ralph Nader down on you, so big profits cut both ways.

Thus, when we interviewed Exxon Chairman and CEO Clifton C. Garvin Jr. earlier this month, we found him in a thoughtful mood—not apologizing for the profits but not bragging about them either. He pointed out that 30% of Exxon's gain over the 1979 quarter, $314 million, was due to accounting rules related to the performance of the dollar. These factors, he emphasizes, have little meaning in measuring the company's operating performance for the quarter. He is, of course, right.

Garvin said the big reason for the across-the-board gains in oil was the tightening in world oil markets that enabled OPEC to double prices. As a result, he says, "Governments realized they had to let [higher oil] costs be passed through."

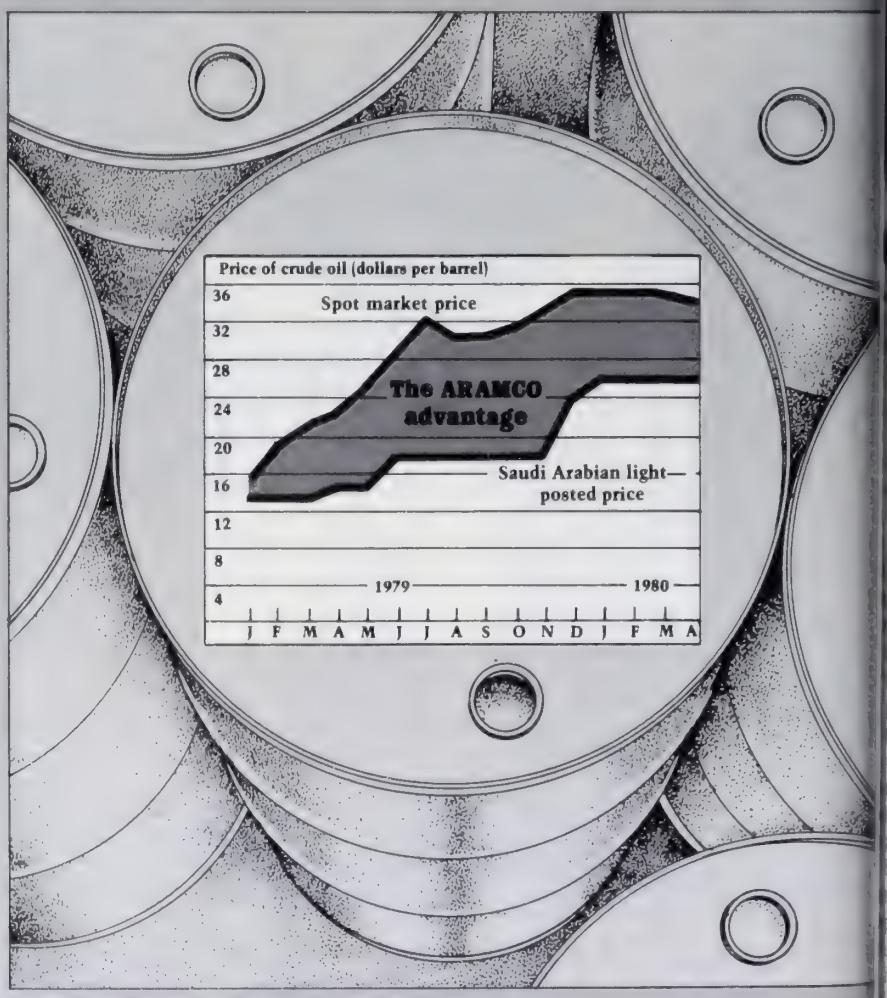
Another reason for the huge jump in Exxon's refining and marketing earnings has been its "Saudi advantage." That refers to the oil Exxon has access to through its partnership in the Arabian American Oil Co. Three other companies, Mobil, Texaco and Standard Oi California, are ARAMCO partners.

The ARAMCO companies have ex sive access to 7.2 million barrels of u day, now at $26 a barrel, about $8.50 than the average spot market price. E on's share of ARAMCO oil is 2.2 mil barrels a day, 50% of its total supply.

Garvin estimates that in the first qu ter the amount of earnings due to Saudi advantage "might have been $

ARAMCO's edge

A key factor in the soaring profits of Exxon and its partners in ARAMCO (Mobil, Texaco, SoCal) is their exclusive access to "low-cost" Saudi Arabia crude. High as it is by historical standards, the Saudi price to ARAMCO is bargain compared with the price others pay, even more so compared with th world spot price, thus widening their margins on refined products.



Source: Platt's Oilgram, Petroleum Intelligence Weekly

." Some Exxon critics say the advantage is worth as much as illion a month to each of the CO partners, but Garvin demurs. nts out that the Saudis raised their es twice last year, once retroac- He believes the same could hold the first 1980 quarter if the Sau- ed prices retroactively this year. nstantine Fliakos, an oil analyst at Lynch, says that, for example, he Saudis increased the price of l to $24 last Dec. 15, it was retro- nly to Nov. 1. So, the retroacti- 't 100%.

place where the Saudi advantage n greatest for Exxon is in Western In most European countries, the ny can sell its oil products at that reflect the higher oil costs d by other companies. Garvin ac- dges that the fat increase in Eu-

hairman and CEO Garvin
nts a gallon adds up.

s the main factor behind Exxon's ularly profitable foreign refining rketing profits last year, which rom $563 million to $1.5 billion. arvin, "Countries [in Europe] be- have concern about crude sup- and they permitted passing of higher crude costs. This per- the higher return."

xon's share of Saudi oil, 340,000 a day flow to the U.S. On this oil as been no Saudi advantage, Gar- nts out, because under govern- ales, a company like Exxon must wer oil costs through in lower or gasoline and other oil products. er, there is still an important ad- to Exxon's U.S. operations from di crude. By enabling Exxon to n slightly lower prices at the han many other companies, Saudi enhances Exxon's market share nce its profits indirectly. In late xxon's wholesale price for regular gasoline was 93.6 cents, about 2 cents a gallon below the national average.

Whatever the role of the controversial Saudi advantage, it may be short-lived. The Saudis are said to be planning to increase their oil prices again. Says Garvin, "It is my personal belief they will raise prices to meet the average."

If the Saudis do that, Exxon will continue to realize improved margins on so-called "indigenous crude," oil that the company owns. About 32% of all Exxon's oil falls into this category.

Every time the world oil price goes up, so does the price of the company's new production in the North Sea, Malaysia and other foreign countries. In the U.S., Exxon's share of Alaska North Slope oil now averages 232,000 barrels a day. The improved profitability on this oil was a big reason for Exxon's $538 million in profits from domestic oil production in the last quarter.

But the long string of earnings gains is finally slowing. Like other oil companies, Exxon was also helped in the first three months of 1980 by the absence of the windfall profits tax, which did not take effect until March. For the rest of the year, the profits of all oil companies will reflect the full burden of the tax.

For Exxon, the bite will be huge. Even with decontrol of oil prices, Garvin says that Exxon will increase its cash availability this year by a modest 10%. The rest of the price gain, he says, will flow to federal or state governments.

Still, Exxon now has a huge cash flow—$200 million or so a week. A likely area of investment may be synthetic fuels. Exxon has had extensive recent discussions on the subject with Energy Secretary Charles W. Duncan Jr. If regulatory changes are favorable, Exxon may soon move on some long-delayed domestic projects. For the moment, Garvin is noncommittal. "I'd like to see things move faster than they are," he says.

When he is asked about future oil strategy, Garvin clearly prefers to focus on the company's biggest current oil-exploration play, offshore Alaska. Exxon exploration experts believe the most promising areas for future large U.S. oil finds are the Bering and Beaufort seas. Unlike many other oil companies, Exxon is not enthusiastic about current onshore areas, including the Overthrust Belt.

The discussion returns to those spectacular profits. Would Garvin hazard a projection for the rest of the year? "There is no reason to believe," he says, "that earnings will be under 1979," even with the windfall profits tax. Will Exxon be able to sustain its huge domestic gains? "I don't see them going down," he says. Which means he will continue to hear complaints about "obscene profits."

He grows reflective: "The fact that we make only 5 cents a gallon on gasoline is something most people still don't want to face."—*Carol E. Curtis*

General Motors reported huge profits during the 1970s. But was GM—and much of U.S. industry—just living off capital?

Why GM cut its dividend

By Paul Gibson

IT DIDN'T SEEM necessary. General Motors could easily have maintained its $1.15 quarterly dividend rather than cutting it back to 60 cents. The parent company has relatively little debt and went into this year with working capital of $6.7 billion; its cash and marketable securities amounted to $10.32 a share. Optimists on the auto industry have been talking about earnings of $20 a share and better for GM by 1983.

Why, then, the sharp cut in the dividend? It's our bet that management wants to let shareholders and employees alike understand that GM and the rest of its industry is in no mere cyclical slump. Beyond the huge capital needs for downsizing their product, the U.S. auto industry probably faces huge outlays for modernizing its plant and equipment. "No more than a quarter of our auto plants are modern when judged by world stan-

dards," says Donald Kress, a former Ford executive who was with the Booz Allen & Hamilton management team advising Chrysler on its problems.

Take Ford Motor Co.'s showpiece, its Rouge assembly plant in Dearborn, Mich. Every day Ford shows it off to some 1,500 visitors who take what Ford calls "The Incredible Factory Tour." Incredible is right. The Rouge plant, Ford's largest, dates back to 1918. The Rouge isn't unique in being so old. Ford in the U.S. operates some 18 assembly plants. Their average age: 29 years. Of GM's 26 domestic assembly plants only 3 were built since 1965, and 1, Buick's in Flint, Mich., dates back to 1903. The Japanese, by contrast, are producing cars in factories that are very infrequently as much as ten years old.

It isn't only that so many U.S. plants are old, multistoried, small and inefficient. According to Chrysler Executive Vice President Harold Sperlich, his company, which last year was using 11 plants, needs at most 5. For the whole industry Sperlich figures only about 30 plants are needed. This means another 30 may be shuttered permanently, a far larger cutback than Detroit has yet announced. Such a downsizing of Detroit itself may involve sizable writeoffs. This could plague earnings throughout the 1980s as it did Akron's in the 1970s, when the tire industry awoke to discover foreign competition—in that case Michelin—had reinvented the tire.

Robert Anderson, a former Chrysler executive and chairman of Rockwell International, a major auto-parts supplier, likes to cite another problem. "A large share of the money that could be putting new technology to work in day-to-day operations," says Anderson, "has been siphoned off to meet an ever increasing load of government regulation." Thank you, Ralph Nader. Cars are a bit safer now. And so expensive that the market is shrinking.

But isn't Detroit into its biggest capital-spending spree ever and about to solve all those problems? Starting this year and stretching out until 1985, the Big Three had planned to spend some $60 billion, almost $10 billion more than they spent in the previous 15 years combined. GM alone is budgeting $7 billion annually. Only last fall, FORBES was predicting a fairly fast turnaround for Ford. When it was selling in the 40s, nearly twice the present level, that brilliant moneyman John Templeton was calling Ford Motor one of his favorite stocks. Only recently auto analyst David Eisenberg of Sanford Bernstein & Co. was predicting that General Motors would be earning $22 a share by 1983. Downsizing would do it all. The U.S. carmakers would be supreme again

Now people are not so sure.

The economic crunch is cutting de and hurting more than anyone eve Detroit expected. As Paul Guy, dire of manufacturing at Ford, recently FORBES, "If you had visited here months ago I could have told you plans. They were firm. Now I don't k what they are."

Besides all the plant layoffs, tight r ey has already forced Ford to cance $28 million wind tunnel. This may sound like much of a cut but it graph ly illustrates how tight a bind these panies are getting into. Aerodynami the new byword in the auto indu Lowering a car's wind resistance relatively cheap and easy way to b fuel efficiency. A simple struct change can be like slicing off a to weight. Lately the carmakers have renting time in Lockheed's wind tu in Marietta, Ga. But that tunnel w built for cars, and trucking full-size models between Michigan and Ge can tie up a design staff for week a time.

Money aside, there is the questio when the U.S. manufacturers can c up with the Japanese and the Germ By the time Detroit is fully geared turn out its new generation of ca sufficient numbers, the foreigners have brought out a whole new ge tion. In Washington there are plan extend the current regulation for fleet of cars to exceed 27.5 mpg by Possible new targets: 50 mpg in 1990 85 mpg in 1995.

If the auto industry is to meet standards, then it must continue level spending for new tools, lig weight materials and more fuel-effic engines. Certainly the present cro plants and equipment now being won't be adequate. Detroit had h these would last ten years at least. it's having second thoughts.

For years some businessmen economists warned that inflation distorting economic reality—that ings were less than they seemed t that depreciation set-asides were gr inadequate, and that industry, De included, was living off capital. But gress yawned, and most people si shrugged and went about their busi Now the pigeons are home to roost. Japanese have the latest equipment we haven't, and I'm embarrassed," Robert Stempel, the able boss of Pontiac division.

So maybe that dividend cut has a bolic message that goes well beyon cash value. But it's not enough for agement to face reality. Congress have to do so, too, and lighten the bu of taxation and regulation that hav but ruined what used to be the wond the industrial world. ■

Assembling parts for a small engine at Ford's renovated plant in Dearborn, Mich

Accustomed to replacing manpower with machines, Japan can land a car here for $1,000 less than it costs Detroit to build a comparable vehicle.

nagement techniques and systems analysis e created U.S. armed forces that may be ient but are not very effective.

A critical view of the U.S. military establishment

As I See It

N. Luttwak of the Georgetown Center for Strategic & International Studies
country hasn't had a major successful military operation in 30 years."

PLAYING "WHAT'S WRONG with the military?" has become a favorite American game since the embarrassing failure of the Tehran rescue mission. Some of the least encouraging answers come from Edward N. Luttwak, a professional military analyst who has been a consultant to the Secretary of Defense and is the author of nine books and studies of war. The senior fellow at the Georgetown Center for Strategic & International Studies has criticized the raid to free the hostages in Tehran, not because of the effort but because of its apparent ineptness. FORBES put some simple questions to Luttwak and got some pessimistic answers.

Luttwak: Let's start with the things that are hard and physical. The fighter planes of the Air Force, are they ready to fly? Are the ships ready to sail? Are the radar and the missile launchers ready to function? Are they maintained? We all know it's very expensive in manpower and spare parts to keep everything working 100%, 100% of the time. Readiness is very perishable; like French bread, you have to buy it every day, it doesn't last. So 100% readiness would be terribly wasteful, but we have to keep the whole machine going at considerably better than zero. The question is, how much? For this purpose targets are laid down.

Let's say 70% to 80% of top fighters in Europe are to be ready at all times. Maybe in the States it is 60%, ready to fly. When you look at what they want, you find a big gap. In practice if the U.S. has 400 F-15 fighters, to make up a number, it has only 150 ready to fly. This means you are spending a lot of money to buy aircraft you don't actually have. They are on the lists but not actually available to shoot. This is a straightforward problem, the consequence of lack of money.

In the Air Force, it may be lack of money for spare parts and technicians. In the Navy it is a huge shortage of technicians. The Navy is supposedly short 10,000 to 15,000 technically trained petty officers and men. Naval aviation is hit both ways, short of people and spare parts. But we are talking here only of the physical readiness of equipment.

There is a second question. Are these people combat-ready in the sense that they have the training, the experience, the discipline to actually fight? Here the picture varies considerably from service to service. The low average mental level of Army enlisted manpower and the practice of the Army to send its better people into maintenance and support and management and administration, leaving only the dregs for the combat units, means that what we have in those units are very simple people using very complicated equipment. The only way you can do this is with very, very rigorous training. But they don't do very much training. They mainly sit around

in barracks because training is expensive. If it's artillery you have to shoot it. If it's armor you have to move it and shoot. So you have people of low mental categories who don't do much training spending a lot of time sitting around the barracks and therefore don't have the competence. They don't have the morale and the discipline, which is a function of morale. People who are bored and idle will not be disciplined.

The Army, therefore, is in very bad shape. It seems the Marine Corps is getting better manpower, more dedicated, more motivated, and spending more of its money on more intensive and more interesting training.

In the case of the Navy, it's a mixed picture. Apparently the Navy is badly afflicted by the loss of highly trained technical men and the cascade effect—if you're short of technicians, those left have to work harder, spend more time at sea, and this creates more unhappiness, which leads to more shortage.

The Air Force has much less of this problem. They are just short of money for spare parts, and in the case of the Strategic Air Command, short of money for fuel to fly their planes.

FORBES: But isn't this just the problem of the peacetime military? *Any* peacetime military?

Luttwak: That is almost an excuse. The truth is, we are in the position of someone who is trying to drive a car, a very powerful car, trying to drive it sideways. You can't do it. Sure, we are spending $150 billion, but we are spending in a way that is structurally wrong. You see, there are only a certain number of ways you can get men and train them into units.

One way is if you have national conscription. As a matter of course every 18-year-old knows and expects that when he reaches his birthday he will go into the service.

Another way is to have a truly professional army where you set very high standards for admission and you pay very well. That way you pick and choose and wind up with wonderful manpower and have no training or discipline problems. This is what the Indians do. It is a very poor country, and although the pay of soldiers is low by our standards, by India's standards it is high. So they have a truly professional army and get the very best of the population volunteering.

The third kind is to pick up the dregs of society, scouring the saloons, dragging them off the streets and out of the prisons. But then you have iron discipline, court martials, no appeals, corporal punishment. You make up with iron discipline what you don't have from motivation or enthusiasm.

The current American military force does not have mass conscription, does not have the high standards and selectivity of a truly professional army and does not have the discipline of an 18th-century army. It falls between alternatives and is not workable. You can only try to get capability by drowning the problem in money, but we're not drowning it in money. If we wanted to have a really effective army, with the present structure of the volunteer army we'd have to spend $250 billion a year, not $150 billion. The volunteer army is the most expensive way of getting true combat capability. It doesn't work.

FORBES: Doesn't our technological advantage, better weaponry, make up for those problems?

Luttwak: Technology or no technology, in the reality of warfare as opposed to paper calculations, the intangibles of leadership, command experience, tactical ingenuity, morale and skill of troops are much more important than materiel factors, your firepower, mobility and so on. It's not that these intangibles—from leadership to skill—will make the difference of 10% around the margin. From everything we know about warfare, ancient and modern, these intangibles easily dominate. It's not 10% around the margin, it's more like 200% to 300%.

"A broadly capable armed enemy, like the Soviet Union, with its tanks, artillery, mechanized infantry, its gas forces, will not be defeated by devices of narrow ingenuity, by gimmicks like the wired missile or assault breakers."

You have to realize this is a very gadget-oriented society and the military share in this fascination. We have so many physicists and engineers prominent in our top defense policymaking and they, of course, wildly overestimate the importance of gadgets. Every time we finally come to confront the reality of the Soviet armored threat, we think seriously for a while until somebody comes up with a new gadget that will solve the problem.

A few years ago there was much talk of these wire-guided [antitank] missiles. We'll get a few thousand of them with a few thousand men and they'll go behind a few thousand trees and we'll pick off the Russians as they come. Unfortunately, in war the technical is dominated by the tactical. The perfect wire-guided-missile kill rate of 90% goes to 50%, 40%, 30% or 20% when the other fellow is shooting at the fellow with the missile. And the armor is working to come behind you, and then the missile suddenly operates at 10%.

That we have all these enginee physicists in our defense policym men who are so enamored of tec solutions, is a disservice because tracts from the real problem. A b capable armed enemy, like the army, with its tanks, with its art with its mechanized infantry, wi gas forces, will not be defeated by d of narrow ingenuity, by gimmick the wired missile or the assault br The assault breaker is the latest g You just instrument the battlefiel you sit behind and press buttons a these missiles will come down an everything moving on it.

FORBES: Yet our equipment us combat by allies such as the Israel been superior on the battlefield.

Luttwak: You mention the Israe you look at the American defense lishment, it is full of engineers and systems analysts. The Israeli defen tablishment consists largely of so on one hand and clerks on the othe clerks, who are engineers and scie serve as advisers, strictly subordin lower levels. It's not incorrect to sa American equipment has been op better by the Israelis than by the and deployed better, too.

The problem is, and I am talkin civilian analyst, that there is a de ty, a real deformity at the very cen our defense establishment. Serious of warfare, on the art of warfare, ha suppressed by the brutal imposit analytical techniques which m wonderfully what they measur which don't happen to measure th ly significant aspects of war.

The tactical, the leadership, th rale, the skill, are so much more i tant than the material things. Y different techniques we use, the sy analysis, the programming, all c only the material aspects.

FORBES: For example?

Luttwak: An example: Every who has seriously studied war that it is critically important to all combat unit to develop kinship an darity. Men under fire don't fig their country; they fight for thei dies. Everyone knows this and ev rious army makes it a point to hav stable structures, regiments and th But that is not efficient. For simpl ciency you want to have all the ma er in a big pool and send the co trained person where he is needed But when you move the guy, y disrupting two organizations; and is no way you can put the morale terribly important but completel measurable development of solida into those computers.

If you look at our Army units, see what enormous turbulence th People come and go all the time. C nies, battalions, platoons are n

As I See It

s of men, not a social group at all; ıre just an administrative box into ı manpower is flown in and out. is one of many different examples same phenomenon, efficiency ver- fectiveness. The conflict between ın efficiency and military effective- ıuns right down the organization. ict is different from civilian activ- ıd leadership in war is totally differ- om management. Our people are gers in uniform. Actually, the ican armed forces are very effi- they just aren't very effective.

BES: Would you have any evidence ıt?

twak: The whole Vietnam War. g the entire conflict the efficiency ıerican military organizations was ıntly manifested. The efficiency of ıunications, the efficiency with firepower was administered, the ncy of transportation and distribu- of medical services; but it was just ı effective war machine. The fire- , so efficiently administered, was fective because the enemy refused emble in conveniently targetable d formations. Less-efficient and ıanagerial officers would have d to find a method of war capable ling with people who refuse to as- e in conveniently targetable d formations instead of concen- g on improving the efficiency of irepower.

ıies are not efficient; armies are ly inefficient; armies are wasteful, it should be.

BES: What should we do?

twak: Shake them up a little. Come ɔs with the fact that this country carried out a single major success- litary operation in the last 30 years. entions the Inchon landing in the ı War as being that last success.] t this fact instead of pushing it the rug.

second part is to realize that the forces have deviated from the true exercise and tactics of warfare and e managerial institutions, largely ned with the management of per- and equipment, contemptuous of t of war and indifferent to every- that is of war, like tactics and ions. Recognize these things and ıove on reform.

BES: Such as?

twak: One, for example, would be uce the number of officers. [He there is one officer today for each listed men, including noncoms.] ter still, greatly increase the man- but don't increase the officers. officers are layer upon layer upon of management, which slows ini- , slows decisionmaking, compli- cates any development. Now we have a queue of ten people wanting to command each battalion. The way we accommodate them is that the tours of commanders are very short. This prevents the unit from stabilizing under a leader. It violates good military practice.

FORBES: Why do you criticize the raid on Iran?

Luttwak: It was an unsound military plan that contradicts the four magic rules for commando operations.

One: Take a man's force to do a boy's job. Because you are inferior overall, you must be very superior at the point of contact; 97 Germans against 4 terrorists at Mogadishu [the commando attack on a hijacked airliner in Somalia]; 150 Israeli troops against 60 Ugandans.

Two: Combat risks being so high, no technical risk whatsoever is acceptable. If you land in fragile helicopters and you need 6, you take 12, 18—not 8.

Three: In all commando operations there is only one commander and he is on the spot. He doesn't need satellite communications because the only information he can send back is so sketchy and vague that any direction he gets from above is bound to mislead.

Four: The abandonment of the dead, of secret documents and intact helicopters is contrary to all the customs of war and the usages of the service. This has a powerful effect in intensifying the great loss of prestige that the country has suffered as a result of this debacle. A powerful effect. God knows how many Israeli commando operations have failed over the years, aborted. God knows, but the enemies of the Israelis don't, because the Israelis left no tracks.

This plan was a manifestation of the perverted use of military power, a perversion of the rules, the stripping of the combat content from a commando operation, which must be a combat operation by nature. ■

Social Security, says this financial expert, is run in a way that diminishes our living standard and promises to reduce it much further.

The shocking shape of things to come

By Ashby Bladen

AT THE AMERICAN COUNCIL of Life Insurance annual meeting in Washington in December 1978, there was a debate about that much overworked topic, Social Security, between Professor Martin Feldstein (who is one of my heroes because he is almost unique among professional economists in his understanding of the way our financial system really works) and the famous liberal economist Joseph Pechman.. Mr. Pechman finally admitted that there is indeed a problem with Social Security; but, he asked, if it won't become a crisis for a quarter-century or more, why should this Congress worry about it? The answer, of course, is that failing to face up to it amounts to misleading young people about the standard of living they can expect to have after they retire. A timely and orderly transition to a financially viable Social Security system is likely to occur only if thoughtful business people, like the readers of FORBES, who understand the difference between responsible and irresponsible finance, demand it. Perhaps you noticed that the Republican candidates for the presidency debated Social Security in New Hampshire, and it was perfectly obvious that not one of them understands the basic problem. The Republicans!

As it stands today, Social Security is simply an income transference scheme. A payroll tax is levied, taking money away from workers and their employers, and the proceeds are given to Social Security beneficiaries. Nearly all of the proceeds are consumed. Nothing is invested.

To understand why this can't go on indefinitely we have to understand what productive investment really is. Under a private financial system productive people who are currently producing more than they need or desire to consume, and who wish to provide for their future

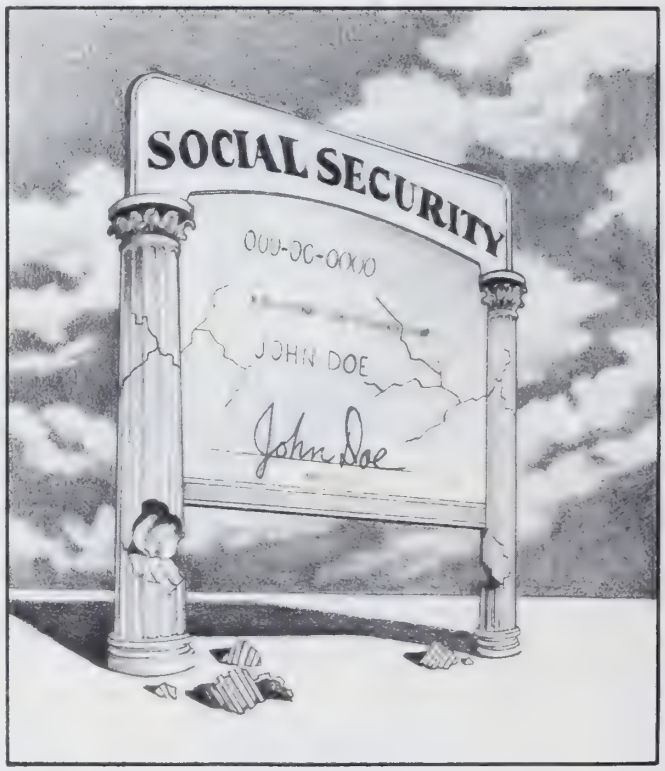
needs, transfer purchasing power through time. They usually do that by making deposits with financial institutions—banks, life insurance companies and the like—that pay a rent, called interest, for the use of their savings, and repay the principal whenever the savers need or desire to spend their savings.

For its part, the private financial system transfers purchasing power from the savers, who are currently producing more than they need or wish to spend, to the investors who have an opportunity to buy and put to profitable use the capital goods—such as tools, factories, trucks and bridges—that make human efforts more efficient and productive. It is the increased productivity that these capital goods provide that makes it possible for investors to pay savers a rent for the use of their savings.

All this is elementary economics, but that's my point: Our present Social Security system ignores basic economics. The main shortcoming of the Social Security system is that it accomplishes neither of the desirable transfers of purchasing power that we just discussed. Since it is financed by a payroll tax upon current productive efforts, it does not transfer purchasing power through time, nor does it accumulate savings that can be used to finance productive real investments. What it *does* do is supplant much of the savings that people would otherwise make in order to provide for their own future needs and responsibilities. No significant amount of financial or real assets have been accumulated to make good on the Social Security system's promises. Nevertheless, as long as you believe that the promises will be kept, it makes sense to reduce proportionately the savings that you would otherwise make for your old age and enjoy the good things of life now. Martin Feldstein has estimated that the existence of the pay-as-you-go Social Security system has reduced our national savings rate by about 50% and is thus largely responsible for our appallingly low level of real investment that is causing our economy to become uncompetitive with countries like Germany and Japan, where the personal savings rate, as a percent of income, is several times higher than it is here. Indeed, when we take account of the fact that the historical-cost basis of depreciating capital assets falls far short of providing their replacement costs in an era of severe inflation, the U.S. on balance is probably consuming capital. Like Great Britain, we are living off past savings.

The amount of savings that the Social Security system has displaced is not peanuts. If a private financial institution, like a life insurance company, had made the promises that Social Security has made, it would have accumulated a fund out of savings that would be $2 trillion to $4 trillion larger than the assets of the Social Security system. A full year's national income is about $2 trillion. If we had made anything like that much additional investment in productive facilities during the last 45 years, our national standard of living would probably not be falling today.

The final problem with Social Security is not a fundamental one but rather a fact of political life. When a mutual life insurance company like the one I work for makes a promise of benefits in the future, it assumes that just about everything that could go wrong will, and it charges a premium that will almost certainly be more than adequate. Then, as time reveals how much of the premium was unnecessary, the excess is refunded as a policyholder's dividend, while the basic premium remains adequate to provide the promised benefit under almost any conceivable circumstances.



Politicians, on the other hand, set payroll taxes at the lowest level they think they can get away with if nothing much does go wrong. And they have yet to grapple with the fact that the American people had a lot of children after World War II who will be ready to retire in the early 2000s and seem to have chosen fun and careers rather than children. So by the turn of the century there will be relatively fewer working people to pay the Social Security taxes and support the retirees. During the rest of this century, it is estimated there will be about workers supporting each retired pe and the Social Security system will tinue to work. By the year 2025 the will be about 3-to-1, and it's virtu impossible that the present system continue to work.

Last year the payroll tax rate for al Social Security programs was 6.13 covered payrolls for both employer employee, or 12.56% in total. It is sc uled to rise to 15.30% in 1990 an main there in subsequent years. Bu Haeworth Robertson, who was chie tuary of the Social Security Admini tion until 1978, has estimated th will, in fact, have to rise to at least by the year 2025. That, I submit, is n too high. Long before we reach point a great many people will ceased to work at all, or have moved into the subt nean economy. And since counts is the total tax bur shifting some of it from the roll tax to the income tax w not alter the fundamental si tion in any appreciable way

To sum up: The real pur of productive investment transfer purchasing p through time, to postpone sumption today to make p ble greater production in future. Social Security as p ticed in this country now attempt both to eat the and to have it later. Even a can see that won't work. Ur we can find ways to make S Security more than a scheme for the transfer of sumption from one group t other and transform it in true savings program, we building up a mess for th ture that may make infla and the energy crisis look l piece of pie.

Paying the Social Security benefits not become an acute problem until early years of the next century; bu nancing Social Security out of taxes current productive efforts—instead savings—is already having a signifi impact upon the American standa living. Sometime, somehow and soon, Social Security is simply goin have to be financed just like private sions, through saving and productiv vestment; or else our standard of li will really go to pot and Social Secu benefits will ultimately prove to be sustainable. I'll be having more to sa the financial crises facing the U.S future issues of FORBES. ■

Mr. Bladen is senior vice president-investments f Guardian Life Insurance Co. of America. He is the a of How to Cope With the Developing Financial *(McGraw-Hill, 1980) and recently contributed a article to* FORBES *"Money no longer exists" (Mar.*

The American Worker.

He holds the white-hot molds for America in his hands...

For almost 100 years now, we've been insuring America's most valuable resource: her workers.

During that time, we've discovered some very effective ways to help American business hold down the cost of insurance. Loss Control is one way.

Our Loss Control Consultants can help you to identify hazardous conditions at your plant – before they turn into accidents. That, in turn, can reduce claims and substantially lower your net insurance costs.

Loss Control. It's one way to cut the cost of business insurance. There are many others. Call or write us today and we'll share them with you.

American Mutual

INSURANCE COMPANIES WAKEFIELD MASS 01880

THE OFFICIAL INSURANCE SPONSOR, 1980 OLYMPIC WINTER GAMES

Helping America make intelligent insurance decisions since 1887.

Mercedes-Benz didn't invent the station wagon–they just raised it up to Mercedes-Benz standards.

Mercedes-Benz waited 94 years to build a station wagon and then built one like none before. "...it is not only the best wagon we've tested," says* Car and Driver, *"it ranks right up there as one of the all-time best cars in our experience."

The Mercedes-Benz 300 TD is engineered to work as hard—if not harder than—any station wagon you can buy.

For instance, heavy loads cause the rear suspension to automatically adjust itself and keep the vehicle riding level.

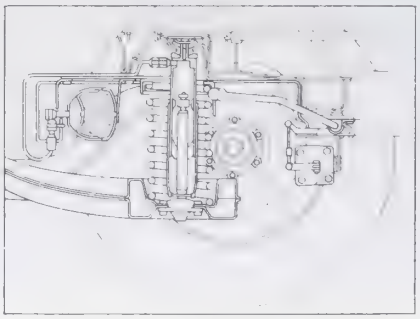
Part of the interior converts into a cargo hold almost 10 feet long.

Overall, one critic was so struck by the 300 TD's solid feel that he quipped, "The only way to shake something loose would be to drive off a cliff."

Grins of disbelief

The 300 TD cleaves the air more like a bullet on wheels than a box. It is about 3 percent more aerodynamically efficient than even the slippery 300 D Sedan.

With 50.8 percent of its weight over the front axle and 49.2 percent over the rear, it is almost perfectly balanced. And though a wagon and not a sports car, it flattens curves with a fully independent suspension similar to the exotic 450 SL Roadster.



Front and rear anti-sway bars and weight-saving finned alloy wheels are not options but standard handling aids.

Euphoria results: "The TD be to amaze, to bring on grins of dis belief, to entertain, when it's up t speed and moving on down the road," *Car and Driver* reports.

And when it stops? A *Car and Driver* test found that it stopped a phenomenally short distance"– bested only by a 160-mph, $36,0 European sports coupe.

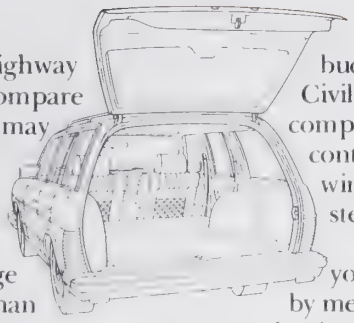
The 300 TD may haul cargo like a station wagon. Clearly, it does everything else like a Mercedes-Benz.

A workhorse that sprints

If any automobile engine is in structible it is the workhorse Die The 300 TD's Diesel engine is a responsive, 5-cylinder powerpla beneficiary of a 44-year Mercede Benz Diesel Research & Develop ment program.

You never need pamper it wit regular tune-ups or premium ga line. And the 300 TD is miserly fuel, generating an EPA estimate

*California estimate



* The EPA highway
is 28 mpg. Compare
her cars. You may
rent mileage,
ng on speed,
conditions,
length. Your
ghway mileage
ably be less than
way estimates.
ceptionally sturdy auto-
nsmission with not three
speeds is standard. The
floor-mounted. Flick it
the gears like a manual if
.
plicate this engineering and
nship would require that
a station wagon custom
is may help put the 300 TD's
** price in perspective.

on, Mercedes-Benz style

the driver's seat, the 300 TD
inkling that it is anything
rcedes-Benz automobile.
well-shaped front
bucket seats are the same.
Civilization reigns, from a
comprehensive bi-level climate-
control system to electric
window lifts to AM/FM
stereo radio.

You don't so much lock
your 300 TD as seal it,
by means of a vacuum-powered
mechanism that secures all four
doors and the tailgate and the fuel
filler port with one twist of a key.

Turn facing rearward and the
300 TD is a wagon—a remarkable
wagon. "It is simply one of our finest
cars when it comes to the all-impor-
tant accommodation and transpor-
tation of its load," *Car and Driver*
declares.

All the passenger seats swiftly
convert into cargo space. The
tailgate lifts high up, well out of the
way for easier loading and unload-
ing. Its hinges and damper units are
sunk out of sight, leaving the inner
roof surface free of awkward pro-
trusions. The sill is low.

You may value your 300 TD as
something far more than a beast of
burden. But if you need a beast of
burden, it is ready to serve.

Why Mercedes-Benz owners are smiling

And because it is a Mercedes-
Benz, it stands a fine chance of
retaining much of its value over
time. Over a 3-year span, indeed,
Mercedes-Benz sedans have proven
to keep at least 80 percent of their
original purchase price.

The 300 TD is built in its own
separate factory; even so, produc-
tion is limited. To see and test drive
it soon would be wise.

"It's a station wagon," *Car and
Driver* summarizes, "it's a Diesel, and
it's much, much more."

Engineered like no other car in the world

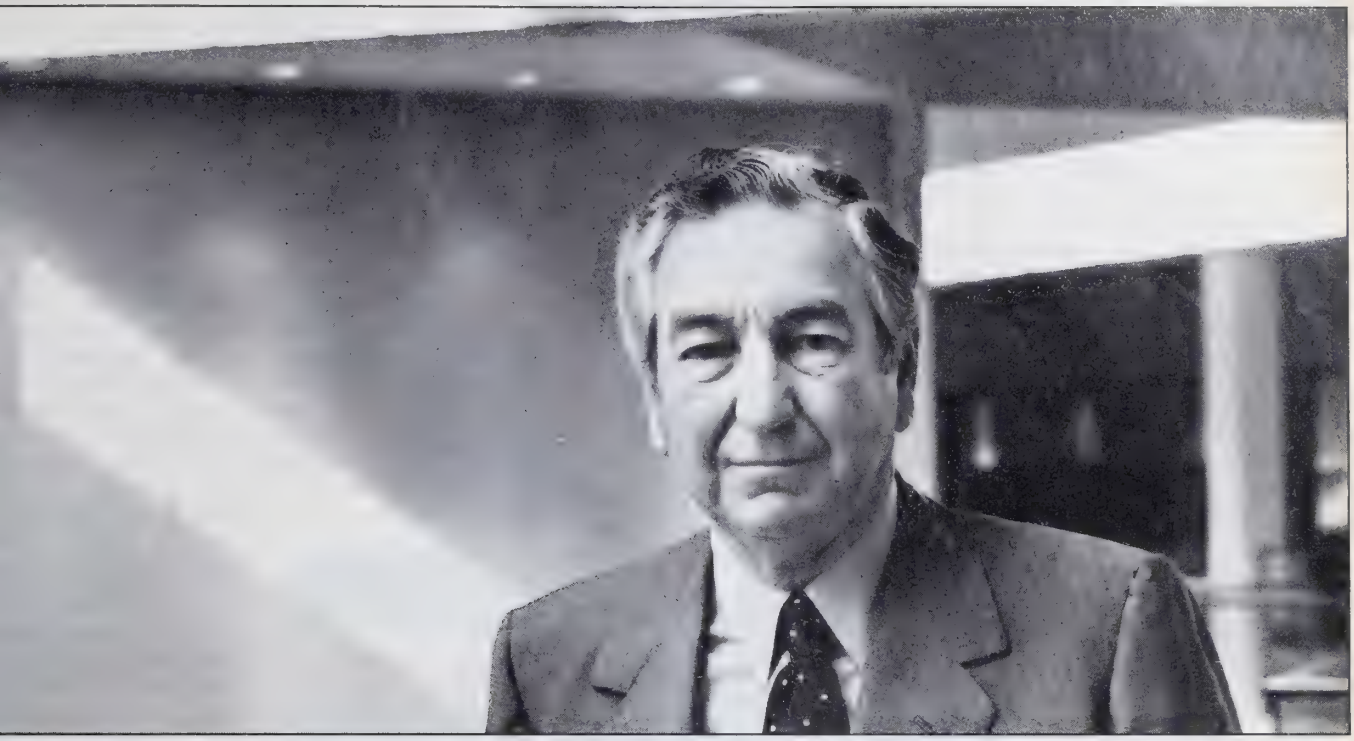
st Coast retail price. Taxes, license, destination charges, dealer preparation and optional equipment additional

© 1980 Mercedes-Benz of N.A., Inc., Montvale, N.J.

There may still be places on eart
where Grand Marnier isn't offered after dinne

Product of France. Made with fine Cognac brandy. 80 proof. Carillon Importers, Ltd., New York, New York 10019. © Carillon Importers,

Corp. Chairman Dr. Joseph A. Boyd
ey to success summed up in a much-abused phrase—"technology transfer."



ook two decades, a lot of patience and three sets of top managers ransform an old-line printing press manufacturer into one of the ' most promising technology companies. It was worth the trouble.

Harris Corp.'s remarkable metamorphosis

By Robert J. Flaherty

ALL THE WOES that afflict the ican economy these days, it's nice onicle an unabashed success story. Florida-based Harris is just that. In a sick stock market it sells at 12 times ngs. In the fiscal year that will end this June 30, Harris how record earnings, roughly $2.65 a share. This will its eighth straight gain in a series that has lifted earnings the equivalent of only 51 cents a share in fiscal 1972, and ues from under $400 million to $1.2 billion. The reces- Shrugging, Chairman Dr. Joseph A. Boyd says that Harris ought to show another earnings gain of 15% to 18% in ew fiscal year. He claims the gains will keep right on gh fiscal 1984, while return on equity will continue to ound at 20%. If he's right, Harris revenues would exceed illion and earnings per share $5.33 by the middle of this e. Beyond that, Boyd adds, "Without changing our basic gement structure or style, we could grow to $5 billion ut any problem."

eady Florida's largest industrial employer with over 9,000 e and plans to hire 4,000 more, Harris is bulging out of its ultramodern cluster of new plants some 30 miles below the Kennedy Space Center. Its backlog now stands at $900 million. Nor is it in ordinary hardware. Harris' product line is concentrated at the edge of technology—in semiconductors, terminals and computers, communications equipment, printing equipment and U.S. government electronics systems.

Rosy projections are easy to make. All it takes is a bit of computer input and a pencil for drawing an up-sloping line on a graph. However, what cannot so easily be quantified are the intangibles of men and organization that lie behind any superior growth curve. This is what really counts, and Harris clearly has it. When Harris executives spout sales and earnings projections, one gets a sense they are dealing with near certainty, not with mere numbers-juggling.

Management has pushed Harris well into the forefront of electronic technology and kept its commercial products in competition with the cream of American industry—IBM, AT&T, Digital Equipment and Texas Instruments.

The key to Harris' impressive success is that much-abused

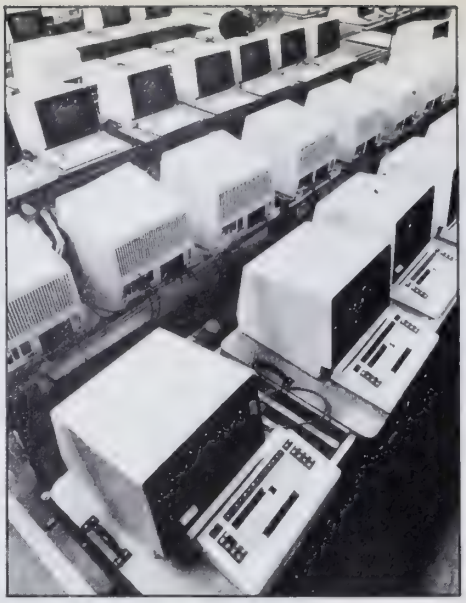
phrase "technology transfer." Defense is only 22% of Harris' revenues but the cutting edge of its entire product line. Listen to John T. Hartley Jr., a 50-year-old ex-Auburn University professor who is Harris' president: "The commercial battlefield is littered with the bodies of unsuccessful defense companies that tried to transfer technology into commercial products and failed. We do a more effective job than 99% of the companies in defense contracting." Secrecy, he insists, was not the problem: Secrecy covers only specific applications. The real failure was managerial, in Hartley's view. "Technology transfer," he says, "has to be a top-down process as it is at Harris." That is, top management must be dedicated to it and base its entire carrot-and-stick personnel policies on it, rewarding those who produce new commercial products from defense projects, and downgrading managers who fail to do so. Hartley continues:

"Unless you tell the managers of your businesses that part of their promotions, salaries and punishments will depend on technology transfer, nothing will happen. Technology transfer is an unnatural process. Once you have divisions, you have barriers—people who follow their own interests."

Each year Harris puts the cream of its college graduates into its government systems division and periodically weeds out those who can't hack it. It's a tough test. Cycles in defense programs are much shorter than commercial product cycles. Thus engineers quickly learn how to price, manage people and schedule a program. This is the survival test. Each year about 20 of the best engineers are transferred to various commercial divisions. They are the company's future leadership pool. About every third year a big group exits. For instance, 250 government systems experts on ground satellite reception moved out en masse to form a new commercial communications group.

There are, aside from security considerations, no barriers between Harris' defense division and the rest of the company. For example, the *New York Times* recently wanted its Harris electronic newsroom system expanded to cover new functions, posing problems that were beyond the capability of Harris' commercial people. The government systems group stepped in and solved the problem. Interdivisional cooperation such as this permits Harris commercial products to be updated by the latest government knowhow. It also gives a commercial manager access to defense experts, whom he might not ordinarily be able to afford or even attract, since defense work is so much more challenging.

"If the government managers lost dollars when they helped others, it would be a barrier and would make them reluctant to cooperate," says Hartley. "We do lots of little things, like paying their division for the time they help commercial guys. That's why our system works."



Harris terminals (top) *and researcher using computers*
In commercial markets Harris creates market niches by bringing out slightly improved versions of competitors' successful products. But in government systems work, like designing a new semiconductor, Harris must often solve the unknown.

A prime rule for Harris is that it v compete for government work only in area where it has commercial product hopes to have them. Take, for exam Harris' antijamming systems to prev enemy countermeasures from stoppi cruise missile and other unman weapons. From this work, it is hop will come technology for rooftop ant nas and superior satellite ground-stat reception.

Except for printing and the recent I inon Corp. acquisition, all of Har commercial divisions are either defe spinoffs or tiny acquisitions stren ened by an influx of technology and ent from the defense group. Harris' in mation processing operations are typi The first terminals and computers w for military jobs. After the company cided to go commercial it made sev small, somewhat doggy formation-processing ac sitions, including operati from Sanders Associa Singer Corp. and Univer Computing, to provid marketing base in infor tion processing.

Harris' electronic ne room video terminals, wh replace typewriters, an new word processor all a spinoff of an Army battlef message-sender created Harris during the Vietn War. The U.S. Army nee to be able to look at a m sage on a cathode-ray t change it, send it insta and recall it.

A current Harris Navy tract for satellite-to- communications is crea the technical base to prove Harris' commercia ser facsimile. A metho computerizing weather casting data for the Air F is producing software and programming that will resul direct improvements in Harris' computer terminals.

Harris' semiconductor group, still 20% military, devel its technology on such programs as the Jupiter Space Pr infrared photography and antijamming systems. Comme markets grew naturally.

Harris' acquisition policy has been carefully thought out is clearly technology-oriented rather than merely opportu tic. By conventional yardsticks, Harris paid too much in Fe ary in buying Farinon Corp., a small (revenues, $100 mil maker of microwave transmitters, electronic switchbo and advanced auxiliary telephone products. The price—4 lion Harris shares worth $125 million—diluted parent c pany earnings 20 cents this year. Harris, however, w buying earnings or revenues. It was buying technology market position—intangibles, again. On this basis, Chair Boyd argues that Harris did not overpay for Farinon. The $ million, he explains, was a preemptive bid to close out op ing bids, of which there were plenty: GTE, RCA, Siemens Loral Corp. all wanted Farinon. Harris' Boyd knew why t companies wanted Farinon so badly and decided a prize w

ng was a prize worth paying for.

re we see yet another glimpse of the good management niques that have made Harris so successful. Harris does imply acquire: It acquires and blends. Its knowhow in rate blending goes back to its merger of Radiation Inc. in Then Harris was mainly a manufacturer of mechanical ing presses though it had already acquired itself into the ess of manufacturing transmitters for radio and television ns.

diation people studied how to improve printing presses marketing experts from that group. But instead of new es they brought out the electronic newsroom, creating a e new commercial business.

is set the tone for technology transfer. Later in 1970, s sent an engineer into the older radio and television mitter operation, which was technologically lagging. Usnowhow from a Navy program, he greatly improved the ct and Harris' market share.

inon represents another step in technology transfer.

e think Farinon will make Harris over the next ten years of the greatest telecommunications companies in the ," Boyd says. "With it we have a er telecommunications line now any other company in the U.S." on's switchboards round out Harris' ng line of radio and TV transmit- satellite antennas, components, d stations, secure communications ns, newsroom video word proces- distributed data processing termi- and computers. Best of all, Harris ive Farinon a leg up in laser systems ansmitting messages over fiber op- the latter apparently the communi- s wave of the future.

ris' communications revenues, of sales, are booming even with- arinon. As a showcase for its line ellite ground stations, Harris plans ate system to link its own indus- facilities by satellite communica- Martin Marietta has already or- a similar Harris satellite system. can't walk along r edge of technology days without having ong capability in onductors, and Har- s it. The French gov- ent-backed Matra picked Harris as a venture partner. It good deal for Harris. normally penny- ing French will put the cash to build a illion plant, but give of the equity to Har- whose contribution e entirely techno- l. The French want- rris' complementary -oxide-silicon inte- -circuit technology. CMOS circuits op- at lower tempera- and require much nergy when used in iters and elsewhere. venture will also give a marketing arm to sell its other products in France and the Common Market as well as the chance to make a big joint-venture profit at minimum risk.

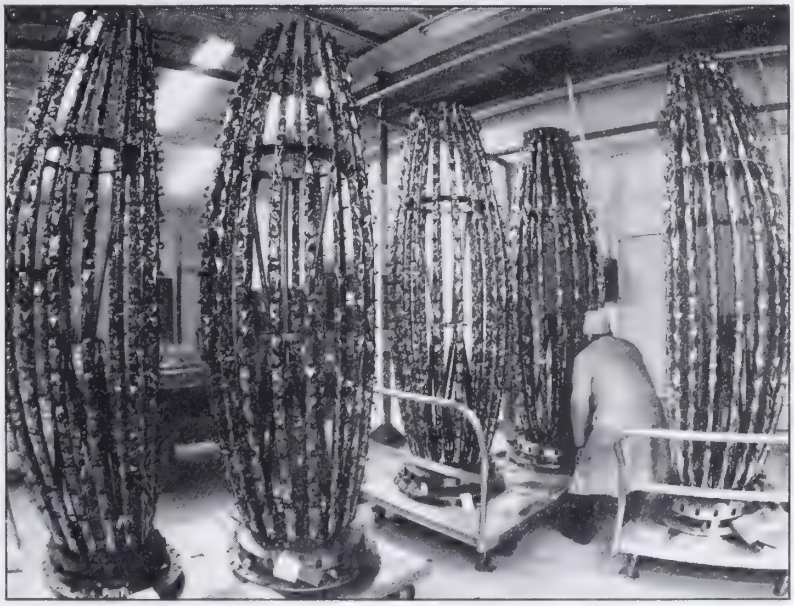
At home Harris is enjoying a semiconductor triumph—which is why the French selected Harris as a partner. This fiscal year its semiconductor revenues will be about $140 million, about 12% of the company total. A full half of the $500 million Harris has committed to capital projects through 1984 will go to expanding this business. Now estimated to be tenth in integrated circuit sales—with an 11% aftertax profit and a return on equity of over 30%—Harris claims to be second only to Intel in profitability and well ahead of Texas Instruments, Fairchild and Motorola. Since its startup in 1962, Harris' semiconductors had only one losing year. "We have been working 18 years to create this semiconductor opportunity," Boyd explains.

Boyd's strategy is to avoid competing with Texas Instruments across the board and to concentrate on markets like the CMOS technology that the French chose or radiation-resistant linear circuits that would continue to function in the event of a nuclear blast. These have a big use in telecommunications.

In minicomputers Harris is back on its growth track. Last year it mistakenly broke its former policy and went beyond its established market niche of customers who want engineering and scientific applications. It tried to break into markets like hospitals where its computers were used largely for accounting. Suddenly, Digital Equipment launched an excellent new computer, while IBM and Hewlett-Packard reduced prices of products that competed in Harris' basic market. Harris, preoccupied with developing the new market, failed to react, and its computer sales nosedived. "It took six months to find out what was happening to us," admits Boyd. "We reoriented our sales effort and we are back to our 35% growth rate." No longer is Harris trying to be all things to all customers in the computer market.

In word processing Harris is already well-known for its electronic newsrooms where video terminals replaced typewriters at 500 newspapers. Boyd soon will introduce Harris' first word system designed for the corporate office against competition from IBM, Xerox and Exxon, all of whom are after big chunks of the office of the future. Boyd figures customers like Boeing who need engineering and scientific functions and who now use Harris' computers and terminals will also want its word processor.

In printing—30% of Harris' sales and its oldest business—Boyd has trouble keeping up with orders. Its $250,000-to-$5 million labor-saving, web-offset presses are in hot demand to replace old letterpresses. Web presses



Ground station antennas (top) *and folding satellite antennas*

Military knowhow has already made Harris a leading maker of satellite ground stations. When commercial satellites catch up with today's military birds, Harris will be ready to sell folding antennas commercially, too.

are cheaper to run because they use cheaper plates, need shorter make-ready periods and have higher running times. Harris was once number six in printing equipment. Today it is an undisputed number one.

Yet, but for the foresight of Boyd's predecessors, the story and certainly the company would be very different.

The stage for today's growth was set back in 1967 when the company was Cleveland-based and known as Harris Intertype. Its chairman, George S. Dively, then 64, now 77, had built Harris from under $10 million in sales to $195 million. Looking ahead, Dively correctly saw the printed word and spoken word merging in electronics and knew he had to pick up electronic know-how for his then mechanical printing presses.

Dively and his heir apparent, President Richard B. Tullis, paid $56 million to acquire Florida-based Radiation Inc., a high-technology space and defense company based in Florida. With the demise of the space program, Radiation's sales and profits were stagnant, but it employed 1,000 of the country's best technological managers who had helped in missile and satellite programs. Here, as in the Farinon acquisition, the price looked high at the time: Dively traded Harris shares for Radiation shares in a proportion that valued Radiation's earnings at 2 times Harris'. But Harris wasn't acquiring earnings; it was acquiring talent. Fairly cheaply, as it turned out. Says Boyd: "A large percentage of all our key managers today were with Radiation at the time of the merger." Among them: heads of 9 of Harris' 20 profit centers.

Concentration of Harris plants and offices at Melbourne, Fla

When the space race ended, engineers here were giving homes away to anyone who would assume their mortgages. Thanks to Harris' growth, home prices again are strong, where Chairman Boyd and President Hartley live side by side.

There are fallow periods in nearly every company's earnings growth; it is the price of greatness sometimes. Harris went through such a period during most of the years—1968 to June 1978—when Dick Tullis, now retired but still chairman of the finance committee, ruled the company. Under Tullis, new printing presses obsoleted its old line. The constant launching of new commercial products was eating into profits. Not until 1976 did its earnings get off the plateau where they had rested for nearly a decade. During those fallow years, investors of little faith largely neglected the company, and its stock traded in a narrow range. Not until 1976 did the stock really take off; it rose more than 100% over the next three years.

Tullis was trained as a printing executive but he turned out to be one of those rare people who can transcend their own narrow specialty. At the expense of short-term profits, he transformed Harris from a company whose product line was 84% mechanical to one whose product line was 70% electronic. He achieved the difficult task of blending the existing company and Radiation—which was a big bite for Harris at the time—smoothly into a n organization. Such merg are rarely successfully ecuted. This one involv grafting a technologically vanced company that lack suitable product lines ont company whose establish product lines were fast coming obsolete.

In the course of achiev this difficult blending, H ris' management evolved unique system of manpo management and appra The object of such a syst is to make sure that the v intangibles are not glected in personnel ev ation in favor of m easily quantifiable m ters like profits and s growth. Again, the phasis is on technol transfer, and execut are graded on their con bution to this vital p cess which is at the h of the Harris system.

Chairman Boyd, 59, former professor of e trical engineering at University of Mich and later was directo the University of Mi gan's respected Insti of Science & Technol President of Radiatio the time of merger, joined Harris as execu president of electron As director of the Mi gan Institute, Boyd become familiar with ious companies' man ment styles and, when he came to Harris in 1967, he pic General Electric as his model. Essentially, the General Ele system tries to break down the walls between technical pe and managerial people on the top and middle levels of company. Thus, an engineer must also be a bit of a marke man and have a more than nodding acquaintance with fin if he expects to be promoted beyond a certain level. It was ideal system for a company with Harris' ambition.

A company, like any organization, must be seen whole—technology, marketing, production and, perhaps al all, a smooth line of succession generated inside. Harris C is such a harmonious whole, but it wasn't created overni George Dively made the moves that got it growing; T made the difficult technical and managerial transitions, Boyd built a management system to keep Harris at the front of technology. Clearly, a great deal of thought and p ning went into the whole process. And common sense, Harris usually enters markets others have pioneered and its knowhow to create a niche with a slightly superior pro Says Chairman Boyd, "We try to be strong in technology be able to enter a market with a very strong product when we decide to. We are filled with good people, proven at all We anticipate trends and react in a timely manner. Th your real security in technology." Maybe that's all good agement is: a judicious mixture of common sense and rigo planning. ■

Our ability to look below the surface, as well as above it, is what makes us Grow.

Nothing challenges man's ingenuity and technology like the sea. Ocean vessels are constantly covered with fuels and chemicals, and blasted by wind, sun and salt spray. Below the surface, rust, corrosion and fouling organisms insidiously and unrelentingly attack steel, wood, aluminum and fiberglass, affecting each differently.

Our Devoe Marine high-performance products have faced these challenges and are the American leaders in protecting everything from tankers and cargo ships to U.S. naval vessels, aircraft carriers and Polaris subs.

Our Devoe Marine division made the first two-part epoxy marine coatings, and pioneered in all epoxy coatings for interiors. They created the finest Anti-Fouling System available today. They developed Catha-Coat,® an inorganic zinc coating that protects steel from corrosion cathodically, and a whole range of tank coatings that protect cargo as well as the tank interior.

Devoe Marine is part of our Marine and Corrosion Control Group, one of four Grow groups. Since 1961, we have grown from $10 million in sales to over $200 million, and have paid 64 consecutive quarterly cash dividends and over 83% in stock dividends.

If you'd like to know the rest of the Grow Group members, write to us, Grow Group, Inc., Dept. F, Pan Am Building, 200 Park Avenue, New York, N.Y. 10017, for a copy of our annual report. And find out more about the technological advances that make us Grow.

GROW GROUP

Bell helping you manage your business better #3

HOW A PHONE NUMBER CAN BE YOUR "OFFICE" IN ANOTHER CITY.

Now there's an ingenious way to build your business in a distant city without the expense of an out-of-town office. It's done through an amazing advancement known as Remote Call Forwarding (RCF).

It Works Like This

The Bell System assigns your firm a local number in the city where you want to develop additional business.

Your customer looks you up in the local phone book and dials the number. The call is re-directed via Long Distance to your home office in another city. Or another state. There's no operator assistance, so there's no waiting.

Now you have a local presence—without spending a penny for space, furnishings, or personnel. And you're in White and Yellow Pages directories—at no additional charge.

Surprisingly Low Cost

What's the cost? It's surprisingly low—less than $18 a month, plus the low direct dial rate for each incoming call.

There's also a one-time service charge (for the connection in the distant city).

But there's no need for additional lines and equipment.

Note: We'll advise you on the availability of RCF in the market area you choose.

Open New Markets

But the real wonder of RCF is what it can do for your business. For instance, if you want to test out a new market, you don't have to open an out-of-town office. You open an "out-of-town office number"—with RCF.

Let's say you're an electrician. Potential customers receive your "local" advertising or look you up in the local phone directories. They call. You then make appointments and bunch the appointments into as few days as possible. In this way, you build your market with the least expense and effort.

On the other hand, you may discover there's not enough business to warrant an office in a particular town. And you haven't lost a lot of money finding out.

Amazing Opportunities

But that's just the beginning of your amazing opportunities with RCF. Let's say you deal with customers in a distant town. With RCF, they don't have to call collect—so they feel more comfortable about calling. They feel you really want their business, and they tend to order more.

You can also use RCF to improve customer service, gain customer loyalty, and so build business. For instance, if you're a dealer with lots of retail customers in one town, they don't have to wait for a salesperson to call. They can order, get the latest prices, the newest deal.

Retail stores accept orders from surrounding cities. Stockbrokers get more calls from clients when they offer RCF. Truckers have learned to build up business in the city where they deliver, and so return with a load. And a whole range of other industries—manufacturing, business services, real estate, construction, loan companies, personal services, wholesaling, finance, and more—have discovered its power.

Here's More Help

In addition to RCF, your Bell business expert has all these other ways to help you manage your business better:

#1 800 Service. Generate direct response leads, using the toll-free 800 number. Improve service, speed orders. Expand market area, answer consumer questions, conduct product research, improve company image.

#2 WATS Lines for Small and Medium Businesses. Learn the most economical ways to buy WATS—by time, by area—and how WATS can build profits, improve customer service, and reduce selling costs.

#4 Selling Smaller Accounts. Instead of visiting distant accounts, sell by Long Distance. Reduce the cost of making the sale. Sell more accounts. Reach customers at the point where lowered inventory prompts them to buy.

#5 Handling Inquiries. Turn mail or phone inquiries into sales. Learn how to capitalize on a prospect's interest immediately with quick and competent action. Establish rapport that cannot be achieved by responding through the mail.

#6 Opening New Accounts. A tested, practical way to do it by phone. Total program covers everything from building a list and screening a prospect's interest to closing the sale.

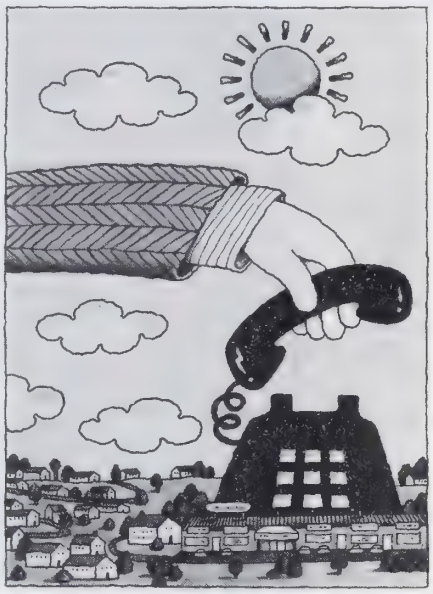
Bell System

CALL 800-821-2121

Ext. 947

toll free anywhere in the contiguous United States. In Missouri, call 800-892-2121, Ext. 947.

BELL BUSINESS EXPERT VILL TALK TO YOU. You can xpect to have a relaxed, friendly lk. You'll discover whether RCF an be a practical, profitable plus r your business. To help you, we'll eed information. So we'll ask questions, like the ones listed below. No urprises, nothing you won't have e answer to. You'll find the discusion thoroughly enlightening and njoyable.



. What is your product or service?
. How many locations does your business have?
. What type of advertising/promotion do you use?
. How do you handle inquiries at present?
. Do you accept collect calls?

Q. Are you currently using services other than your local lines—such as WATS or Reverse Charge?

Q. Does your business have plans to meet specific business objectives, such as increasing market coverage or increasing market share?
Q. To how many cities would you like to expand market coverage?
Q. How do you currently test or expand market areas?

OR WRITE.

Fill in below or attach your business card and mail.

Bell System Sales Center
811 Main Street, P.O. Box 549
Kansas City, Missouri 64141

Yes, I am interested. Tell me more about:
☐ #3 Remote Call Forwarding

I would also like to know more about the subjects I've checked below.
☐ #1 800 Service
☐ #2 WATS Lines for Small and Medium Businesses
☐ #4 Selling Smaller Accounts
☐ #5 Handling Inquiries
☐ #6 Opening New Accounts

Name_____

Title_____

Company_____

Address_____

City_____ State_____ Zip_____

Area Code_____ Business Phone_____

800-821-2121, Ext. 947

To call toll free, dial 800-821-2121, Ext. 947. anywhere in the contiguous United States. In Missouri, call 800-892-2121, Ext. 947.

Bell System

947-005

At Crane we believe in basics.

That's why we're strong in steel. When you drill for oil five miles down—and this is the depth of many wells today—you need pipe that can take heavy pressure and strain as well as heat. Pipe like CF&I Steel's high-strength, seamless casing and tubing.

CF&I, a Crane subsidiary, also makes a variety of other steel products, from long-length rails and wire fencing to grinding balls and grader blades. Founded in Pueblo, Colorado, over 100 years ago, CF&I continues to be a major factor in the economic well-being of the West and Southwest.

Steel, one of America's basic products. And because at Crane we believe that making basic products for basic industries is the way to continued growth and strength, we're strong in steel. And in cement. In fluid and pollution control equipment. Building products. Aerospace and aircraft systems.

Basic products for basic industries—that's what Crane is all about.

Crane Co., 300 Park Avenue, New York, NY 10022

CRANE ®

*w would you like to buy a piece of Mexico's oil-propelled econom-
oom? It may soon be much easier for Americans to do so.*

Anyone for the Bolsa?

By Richard Phalon

IMITATION is the sincerest form of attery, it's time for the closed-end ıpan Fund to bask in glory. ched in 1962, the fund made it easy merican investors to get in on the d floor of Japan's booming econo- t was clearly an idea whose time come. In the 18 years since, the s asset value has multiplied 12 its original stake, to $153 million. e fund's runaway success has caught ye of the Mexican government, ı is riding the crest of a hydrocar- ased boom all its own these days. esult may be the Mexico Fund, a l-end investment company that enable non-Mexicans for the first time to invest in key industries. Americans can easily buy a few Mexican stocks traded here, such as high-flying Tubos de Acero de Mexico (FORBES, *June 11, 1979*) and, with more effort, some of the biggest banks and mining companies listed on the Bolsa in Mexico City. But stocks in trucking, airlines, radio, logging and natural gas distribution, among others, have long been off limits to foreigners.

Some of the details are still in the process of being buttoned down, according to Alejandro Palma, an adviser to Comision Nacional de Valores, the Mexican securities commission. After more than a year's work on the project, though, Palma thinks the closed-end approach offers a way to "channel demand to participate in the Mexican stock market without infringing the laws against foreign participation."

The proposal working its way for approval through an alphabet soup of Mexican ministries is definitely on the Japan Fund model, with a couple of new wrinkles thrown in. The management company would be owned 75% by a group of Mexican securities firms, 25% by Bache Group, Merrill Lynch and the International Finance Corp., a World Bank affiliate. The two American underwriters would manage an initial public offering in the $50 million range.

All of that's staightforward enough; the Mexican brokers would research the companies they know better than anyone else—just as the Japan Fund draws its analytical knowhow from a connec-

on the Bolsa in Mexico City
w the Japanese to the Yankee Dollar.

tion with Nikko Research Center, Ltd. The ban on foreign ownership would be solved by having the fund invest in certificates of participation signifying the ownership of any stock it buys. The fund would have the same ownership right to dividends and capital distributions, say, as a Mexican national. Voting rights on the underlying stock, however, would be vested in and exercised by a Mexican financial institution.

"The objective," says Alejandro Palma, "is to adhere to Mexican law by divorcing the voting rights from the economic rights through the use of trust certificates." The lack of voting status should not be any great disadvantage for potential stockholders. How many investors are in it for the vote anyhow?

Suspicion of foreign capital and its intention dies hard in a nation where Yankee-baiting is close to being a national sport. Yankee dollars, however, are immensely profitable, and a mutual fund of this sort could be a handy way to attract foreign capital without foreign control.

Further, the Mexican market tends to be thin. It doesn't take much volume on either side of a trade to push prices up or down. The Bolsa Mexicana de Valores is still one of the most volatile markets around. From the close at the end of 1978 to the highs in May of last year, for example, the Bolsa price index doubled from about 900 to around 1800. At the moment it is hovering at around 1052—savaged in a blowoff that was partly a result of the same runaway interest rates that creamed the American markets. The hope is that the Mexico Fund—if and when it materializes and gets the green light from the Securities & Exchange Commission—will squeeze some of the air pockets out of the market by adding breadth and liquidity to it.

For generations the stock market in Mexico was almost an afterthought. Most middle-class people preferred land and high-yielding savings accounts. But, says John Rhoads, a U.S.-born naturalized Mexican who heads Mexico City's Casa de Bolsa Interamericana brokerage house, all this began to change in the last two years. "Small businessmen, even maids, were in the market," he says. The sudden collapse last spring scared out of the market the small but growing cadre of middle-class investors the government had been counting on to help finance small and medium-size companies. Advent of the Mexico Fund might help to pump some confidence back into the market.

So much for the Mexican side of the deal. Is there as much potential mileage in the proposal for investors as there has been in the Japan Fund? Maybe. Mexico is starting from a far lower economic base than Japan, but successive oil, gas and mineral strikes are among elements a recent Citibank study cites as showing that Mexico can "achieve high, sustained economic growth."

Thanks to the effects of higher oil production and prices, the Mexican economy in real terms is growing at about 8%—one of the best showings in the world. True, inflation is high and getting higher, but corporate profits, rising on average by 60% a year, are expandin twice the inflation rate clocked by vate economists. At 7 times last ye earnings (and 4.5 times projected 1 earnings), the Mexican stock marke cheaper than it has been in a long wh The time seems ripe. Now, it's up to various bureaucracies to move. ■

A clean balance sheet isn't always as clea as it appears to be. It pays to read tho annual report footnotes and 10-Ks.

How to owe money without seeming to

Numbers Game

THERE ARE LOTS OF REASONS why a corporate chief would show—and possibly hide—debt off the balance sheet; and lots of ways to do it. Companies are judged by many people—including investors, bankers and the rating agencies—in large part on their debt-to-equity ratio. Now, equity is based largely on historical costs, while new borrowings must be higher and higher to keep up with inflation. Compare the two, and it looks as if debt is rising much faster than equity. One solution: Keep as much debt as possible off the balance sheet.

In the vast majority of cases, firms use legitimate accounting techniques to keep that debt off the balance sheet, and an investor who carefully examines the 10-K and annual can generally ferret out most of the hidden liabilities. But he has to know where to look. Following are five methods of keeping debt off the balance sheet. The first four are perfectly legit. The last one . . . well, you'll see.

The old shifteroo

About 20 years ago, the accounting rulemakers decided that it wasn't fair to force companies to include on their consolidated balance sheets the data for finance subsidiaries. After all, the logic ran, finance subs operate on a radically different basis from other companies. So, the seeds were planted for one of the most popular of all the off balance sheet debt games.

There are many variations, but her basic ploy: You start an unconsolida finance subsidiary. It borrows mo from the bank, which the parent c pany may guarantee. It buys receivab say, from the parent. Net result: parent has the newly borrowed cash; receivables have just been shi around; and the debt doesn't show u the balance sheet.

For a close look at the dram changes a finance sub can make, t Insilco, a $585 million producer of sil ware, building plans and precut buil materials. Insilco also provides finan for individuals who build their homes, through its Miles Finance Co

A look at Insilco's balance sheet veals debt of about $110 million, eq of $152 million and capital of $282 lion. Debt is only about 39% of cap Pretty good, right? Wrong.

Because deep in the notes to the fi cial statement there is a balance shee the company's finance subsidia founded in 1976 to take over the fi home-building financing. There you another $63 million in long-term d All of a sudden, total debt is 50.5% capital. Not so good.

What's more, in 1975, prior to the tablishment of the financial subsidi debt was 54.4% of capital. It's just illusion that Insilco's debt picture improved so much. It's just a matte taking the IOUs out of one pocket

Is overnight account settlement anything for an American bank to brag about?

That depends on where the customer is.

When an international securities exchange in the Old World set out to trade in the New World, they discovered unique problems. Due to local time differences, their American bank would only have 13 hours to settle accounts for the exchange's members before the start of trading the next day. The account statements then had to be sent smoothly across the Atlantic, landing in the exchange by midday European time, complete and error free.

Our Custom Cash Management team mapped out a perfect solution which used our Cash Connector terminal operating via transatlantic computer network. The system is fully automated and is part of our normal overnight operation, so virtually no crises or errors ever become a part of our client's operation.

For a custom look at your cash management problems, contact Bankers Trust. Because if your problems aren't exactly like everybody else's, your banker shouldn't be, either.

Custom Cash Management

Bankers Trust Company

© Bankers Trust Company
Member FDIC

putting them into another.

Insilco is not doing anything underhanded. The company's controller, Emil J. Fanelli Jr., explains that the finance subsidiary was started primarily to clarify Insilco's balance sheet by breaking out the lending operation. "Of course," he admits, "it helps the company's debt-to-equity ratio quite a bit, too."

The fact is, a large number of well-known companies use finance subsidiaries, which may or may not have a substantial amount of debt. The list just starts with firms like Conoco, Time Inc. and Gamble-Skogmo. If you throw in companies with real estate subsidiaries—which might also be unconsolidated—the list expands still further: Culbro Corp., Singer and Weyerhaeuser are just a few.

A rose by any other name

Forming a finance subsidiary isn't the only way to get some off balance sheet financing out of receivables. Receivables can be turned over to a bank or some other financial institution. But isn't that just a sale—not a loan? Not really.

You see, there are two ways to sell receivables to a bank: with recourse and without recourse. If the sale is made without recourse, and some of the receivables turn out to be bad debts, the bank cannot come after the seller. Sales of receivables without recourse do not show up on the balance sheet as potential liabilities. Sales *with* recourse do.

So, companies that want to keep the item off the balance sheet pay the bank a premium so the bank lets the deal go through without recourse. Over the last few years, for example, Sears, Roebuck sold some $811 million of receivables resulting from Sears charge accounts. The buyers got those receivables at a discount—a provision against bad debts—so that they would make it a sale without recourse. Sears continued to make the collections, turning the money over to the buyers as it came in.

Think about it. Sears got a huge sum of money, which it is paying back in installments as its customers pay their accounts. If that's not a debt, what is?

J.C. Penney just completed a deal very similar to the Sears transaction, in which Penney sold $287 million worth of credit-card receivables to Citicorp. Naturally, Citicorp bought the receivables at a discount—and the deal was made without recourse.

Never wanting to miss out on a good thing, Citicorp is trying to drum up business for this service. The big bank is clear about the advantages. A glossy brochure reminds potential customers, "By having the receivables funded off balance sheet, reported balance sheet leverage is decreased. . . ."

The nifty fifty (percent)

Sometimes a company wants to borrow money for a major project—without appearing to overextend itself. The accounting rules on consolidating part interests in ventures play into the hands of such maneuvers. The way the rules are set up, if a company has an interest of between 20% and 50% in a joint venture, it reports only its share of the earnings—absolutely none of the debt (FORBES, *Numbers Game Mar. 31*).

Arthur Wyatt, an Arthur Andersen partner and noted authority on off balance sheet accounting, gives an example of how that commonly accepted accounting rule can provide debt camouflage: "Let's say I own a chemical company. And I work out a deal with an oil company to build a chemical plant which we will both be able to use. We each put in $100,000 for a 50% interest. And then we borrow another $50 million for the plant, which we guarantee, in the name of the joint venture.

"Okay. Under the equity method of accounting, all I show on my balance sheet is a $100,000 investment. I don't have to consolidate debt or anything else."

Nifty, huh? But you ain't heard nothing yet. Wyatt: "And I might make a million dollars on that venture this year, so the apparent return on equity for me is colossal."

A new lease on life

Perhaps the best-known off bal sheet debt instrument is in leasing. years now, the accounting rulema have claimed that long-term le should really be treated like debt. H how *that* works: If you have a 25-y lease, say, and you're paying $10,0 year, you have really bought the serv of that building for 25 years for $250, Thus, you should capitalize the er $250,000—showing it as an asset on side of the balance sheet, and an eq alent liability on the other side.

Just a few years ago, the Financial counting Standards Board (FASB) pa a rule that the board hoped would fin make this an enforceable accoun practice. In fact, a number of fi changed their method of accounting leases already in effect. But the driv keep those leases off the balance she powerful. Wyatt: "Statement 13– FASB leasing rule—is ineffective. It's too easy to construct leases to avoid rules." For example, says Wyatt: " lessee goes to the landlord and asks shorter lease, so that under FASB 13 can keep it off the balance sheet. So landlord says, 'Yeah, but that's goin increase my risk!' So, they work ou increase in the rent, which minim the landlord's risk on a shorter le Once again, not only are appeara deceiving—but the shareholder pay the privilege of being deceived.

Psst! The auditor

Although there are a number of cr in the accounting rules to hide some entrepreneurs find their ow slightly illegal—methods. Arnold Si managing partner of Siegel, Sugarma Seput, a midsize San Francisco acco ing firm, explains one such mean hiding debt that he has uncovered: " we have companies A and B. A n earnings. So, it sells some asset to B shows the earnings. What no one- cluding the auditor—knows, is th made a deal to buy that asset back fr in the future, at a premium."

What's happened here is that A sir got a collateralized loan. Siegel: "It m look like A sold the asset to B, but t not the case. Not only has A inflate earnings, but it hasn't shown the ob tion." Frequently, the agreement to back the asset is hidden in legal tracts so completely that only the r vigilant auditor will ever find it. If auditor misses it—the investor do stand a chance.

Naturally, most major corporat wouldn't resort to this kind of horse They don't need to. Between jocke receivables around, playing with sul iaries and numerous other less com devices, there are plenty of ways to debt off the balance sheet.—*Richard G*

MADE IN U.S.A.

America's productivity once set the standard for the world.

But now, imports are flowing into America from countries whose productivity is increasing faster than ours. This trend upsets our balance of trade and undermines the spending power of our dollars.

Westinghouse technology can help reverse this trend. We have products and systems that can help increase productivity while using less energy.

Today, "Made in U.S.A." is still the sign of the world's foremost industrial power. Let's put technology to work and keep it that way.

Westinghouse. A powerful part of your life

Changing a skyline...creating a community

From city center to suburbia, St. Regis is making an indelible stamp on the nation's building industry. Though our identity is not always visible in the completed structure, St. Regis quality is indispensable to the strength, durability, economy and even the beauty of a project.

With St. Regis prestressed concrete, a contractor can assemble the structure of a building. Beams, floors, roofs and sidewalls are fabricated in our plants to the architect's specifications and delivered ready to install. Relying on the uniform high quality of St. Regis precast components and a variety of exterior finishes, the architect has a freer creat hand and the builder greater control over his construction schedule.

St. Regis wood prefabrication technol is widely used in residential communiti

With access to six million acres of timberlands, St. Regis is today one of t world's principal suppliers of wood products to homebuilders.

These products include studs and dimension lumber, the basic compon of house framing, and boards and plywood for the sidewall and roof

ng. St. Regis also produces a
of prefabricated structures which
e homebuilder, like our commer-
ntractor customers, the reliability
t-in craftsmanship and constant
ility.
egis pre-assembled roof and floor
and pre-cut walls (which include
ng doors) are delivered to the
g site precisely when needed and
liately erected at tremendous
in time and expense.
m resources of the good earth ...
ducts for the good life.

our construction products are getting the job done.

La Différence.

Ask for Air France Business Class. A Class Apart. Specify Business Class on your next trip to Paris. An exclusive class apart—affording you the special attention you deserve.

You'll enjoy the convenience of advance seat selection, and separate check-in and boarding.

On board you'll be seated in a separate cabin of our 747, where your neighbors will be Business Class passengers like yourself.

When you dine, you'll enjoy some of the best food the French can offer. Cuisine à la Business Class includes apéritifs, champagne, fine wine and cognac. A typical dinner might open with *saumon fumé*, delicate morsels of smoked salmon. And next, *salmis de caneton*, roast duckling in a delightful sauce.

Head sets for music and movies, as well as slippers and eye shades—all included.

Business Class is available from New York, Chicago and Houston. Call your Travel Specialist or Air France for more information. And the next time business takes you to Paris, make sure you ask for Air France Business Class—A Class Apart.

AIR FRANCE

The best of France to all the world.

keovers have been bonanzas for many ckholders. At Citation, the insiders got the ot, everyone else got the boot.

Everybody's equal, only some people are more so

By Allan Sloan

r's SAD BUT TRUE and a sign of the imes that most stockholders, if they ıren't in management, dream of a over; it's the fastest way to enhance capital in the stock market these . In the fall of 1978, it looked like fortune had smiled at last upon the eholders of Citation Cos., a $55 mil- (revenues) Grand Rapids-based man- uring company. Someone had come ke over sound, profitable but unspec- ar little Citation at a lofty $17 a e, a fitting reward for shareholders had suffered through Citation's lean s. Or so it seemed.

stead, the big insider stockholders- tors and their families made lots of ey, paid lip service to their fiduciary ations to the other holders, took $17 a share and ran. The individual holders are still sitting with their ion shares, worth around $9 at ıt prices, and are waiting for an of- looks like a long wait.

all this sounds like strong language judicious business magazine to in- e in, consider the facts and decide for self:

ır tale begins in October 1978. Day- Walther Corp., a $200 million (rev- s) foundry operation owned by Day- hard-nosed Walther family, paid Citation insiders $17 a share in cash notes for 30% of the stock. The ıg insiders included some of Grand ds' most prominent names: two di- rs, members of the Steketee and elius families, which founded Cita- Citation Chairman Kenneth Case his children; Harold Sawyer, now d Rapids' congressman and Cita- s chairman until April 1978; Saw- children and wife (a Steketee). Saw- ıut not his ex-partners) also sold the h stock held by his former law firm.

the time, Citation and Dayton- her announced that D-W would make an offer for the remaining

Representative Sawyer, Citation's ex-chief
"I was just selling my shares."

70% of Citation. It was only natural to assume the price would be on the order of the $17 Dayton-Walther paid for the control bloc. That's the way tender offers are supposed to work. All shareholders are supposed to be treated about the same. It's not unusual to buy the control bloc before going after the rest of the company. But almost invariably, the sellers of the control bloc in a public company insist that the acquirers agree to offer an equivalent deal to the other shareholders promptly, because of fairness and fiduciary obligations.

Apparently Citation's insiders didn't care much about their smaller shareholder-partners—at least not enough to keep their Citation stock until they saw the terms Dayton-Walther was prepared to offer for the rest of the shares.

After buying the insider stock, Dayton-Walther got two seats on Citation's board. The Walthers and Citation Chairman Case, who had already sold his children's shares and half his own, sat down to dicker. One problem arose immediately: Dayton-Walther, which is privately held, claimed that it wanted to go public as part of its merger with Citation. That meant the Walthers couldn't pay cash to buy Citation. Some form of securities had to be involved. That way, the Walthers would be able to take their own company public without registrations, prospectuses or paying fees to investment bankers.

Negotiations dragged on for months. With the control bloc in hand, the Walthers didn't have to act quickly or worry about a rival takeover bid. The Walthers are tough cookies, as Case had known before the sale. Dayton-Walther, seeking to take over $280 million (revenues) Sealed Power Corp., had already accumulated almost 5% of the company. Sealed Power wasn't receptive, and Dayton-Walther ultimately sold the stock and claims it made a $1 million profit. The Walthers also held a chunk of $160 million (revenues) Buckeye International, and were getting ready for a showdown with Buckeye's management. Fearing a takeover by the Walthers, Buckeye sued, then finally found a buyer, Worthington Industries, to take the Walthers out at a $1.4 million profit. Buckeye had to pay Dayton-Walther $500,000 on top of that to get D-W to drop its countersuit.

After months of haggling with the Walthers and turning down their skimpy first offer, Citation agreed to submit to its shareholders a proposal to give them a package of securities in a new combination Walther-Citation Co. The package was no prize. Each Citation share would get half a share of common in the new company (whose per-share earnings and book value were about those of Citation), plus 0.55 shares of a new 8.43%, $16.25 preferred stock. That package produced more income than a Citation share, but had far less potential. This offer came a year after the insiders had gotten their $17. What was the package worth? Nobody is sure, but it certainly was less than $17. Smith Barney and Co., which got a $50,000 fee for advising Citation, produced a standard "fair and equitable" letter, but didn't place a dollar value on the securities package and never compared it with the $17 the insiders had gotten a year before.

Meanwhile, soaring interest rates had driven down the value of the proposed Walther-Citation preferred stock, and Dayton-Walther's profits, keyed to the truck and heavy-duty vehicle markets it supplies with foundry castings, were plummeting. The companies called the deal off last month, and said Dayton-Walther might be back with a new offer to Citation shareholders. Don't hold your breath.

Case, the only insider who kept an appreciable portion of his Citation stock,

defends the insiders' haste to sell out. He said that changing economic conditions plus a delay caused by the legal battle between Buckeye and Dayton-Walther fouled up the deal.

"Who knew this was going to happen?" Case asked, referring to the rise in interest rates and the Walther-Buckeye court fight. "Our advisers and the best economists in the country expected interest rates to drop," he said.

Sawyer, the congressman who as chairman had helped Case nurse Citation back to health after an ill-fated acquisition binge in the early 1970s, concedes he had a moral obligation to the other stockholders. He said that because he had left the Citation chairmanship in April 1978 and was not on the board, he had no legal obligation to Citation shareholders when Dayton-Walther appeared in October and offered to buy his family's stock and the shares in his Keogh plan at his former law firm. "I was just selling my shares," he said.

So who was there to look out for the individual shareholders who, in theory, owned almost 70% of the company? Anyone at all? It's customary for insiders to look out for the well-being of the other shareholders, but a prominent securities lawyer, who asked not to be identified, says in Citation's case there is probably no way to force the insiders to do so. The Securities & Exchange Commission, which is supposed to make sure the little guy isn't squeezed, says it has never run into a situation like this before. As the cabbie told the well-dressed passenger who gave him a $5 bill for a $5 ride, "It may be correct, but it sure ain't right." ■

Looted and neglected, Penn-Dixie sank into bankruptcy. The resulting jolt may be just what is needed to restore it to health.

A dash of cold water

By Ben Weberman and Alyssa A. Lappen

THEY KNOW ALL ABOUT Murphy's Law at Penn-Dixie Industries, Inc. Just about anything that could go wrong did go wrong there. In 1976 FORBES reported that Penn-Dixie's then chief executive officer, a man with a checkered past and questionable present, had been milking the company. The executive, Jerome Castle, was sentenced to prison last October for conspiring to defraud the company. Before that the once prosperous cement-and-steel company had fallen on hard times. Its plants had become obsolete, its resources squandered. Penn-Dixie shares were suspended from trading on the New York Stock Exchange in 1977 and did not trade again until mid-1978. Finally, in 1980, the company was forced to seek protection of the courts when its bankers curtailed an existing line of credit. The banks were being cautious. After all, wasn't Paul Volcker leaning on them to tighten up on their credit standards?

Good-bye Penn-Dixie? Not necessarily. The physical assets, if somewhat dilapidated, remain substantial and far exceed debt. The $376 million (revenues) company may yet be nursed back to health, albeit in a somewhat shrunken state. If so, there could be a handsome payoff to patient holders of its shares, which currently trade over-the-counter at $2, *vs.* a book value of over $10.

The job of saving Penn-Dixie rests chiefly on two men, William J. Scharffenberger, 59, who became president and chief executive officer last June, and Richard A. Hill, executive vice president-finance, who joined the company two years before Scharffenberger did. Scharffenberger, a brother to City Investing's George Scharffenberger, is an expert on corporate pruning and reorganization, having, among other jobs, helped bring Duplan Corp. out of bankruptcy.

Hill had been the principal of Richard A. Hill Associates, a financial and general management consulting firm, from 1970 to the time he became a senior executive officer of Penn-Dixie. The two men moved into a situation where p tax losses in the four years ended D 31, 1978 aggregated $30.5 million, a facilities had been allowed to deteriora The company's old boss, Jerome Cast is now serving a 15-month prison se tence and he must pay a $12,000 fine wire fraud, mail fraud and conspiracy. was also successfully enjoined by the curities & Exchange Commission fr further violation of federal securit laws. Clearly, no one had been mindi the store.

Take the steel division's rod m Complete modernization and purch of additional equipment would requ $55 million at today's prices. The co pany would now prefer to concentrate a $15 million-to-$20 million continuo caster installation. Cement-division cilities are relatively old and also are need of substantial capital expenditur

Hill's small, spare office just past reception desk inside the corporate he quarters entrance symbolizes his und standing of the need for belt tighteni Gray-haired and blue-suited, he lo more like a banker or lawyer than a c struction-materials executive. H spends as much time with bankers a lawyers as he does with other compa officers.

Hill's top priority is to raise enou money to pay off the three banks w precipitated the insolvency by refus to continue advancing funds to Pe Dixie under a line of credit schedule run through Apr. 1, 1981. Early l month, Penn-Dixie owed $21 mill and wanted to go to $30 million. But three banks—Mellon Bank, Natio Bank of Detroit and First Pennsylva Bank—refused to reinstate the old c ing. They cited a provision of the l agreement that called for certain ratio current assets to current liabilities minimum amounts of net working c ital and net worth.

Hill says he was "disappointed at action of the banks and convinced t there was no necessity for them to t the extreme position they did." As p of the loan agreement, substan amounts of collateral had to be poste back the bank loans. On June 30, 19 when the loan reached $30 million, banks held as collateral $34 millio accounts receivable, $41 million of ventory and $32 million of fixed asse

The banks still have a call on t assets in bankruptcy and on cash flo well—which makes it difficult for Hil generate cash to keep operating. court has stipulated that the banks take 20% of all revenues until the de paid off. The remaining 80% is enough to pay bills and other expens

One of the urgent requirements Hill, consequently, is to find some o source of financing, a company suc General Electric Credit Corp., that

ce enough money to pay off the and get the sorely needed capital ing program going.

e lively possibility for raising des-ely needed cash is sale of the origi-ement division. An old cement in Nazareth, Penna. has already shuttered and is for sale. The Naza-acility has not earned a profit for at three years, even in good cement et areas. In 1978, 43% of Penn-'s total cement sales were in the able Midwest and 29% in the prof- Southeast. The Nazareth plant is d inefficient and it serves a region there is intense price competi-Cement is so bulky and heavy that not be shipped far without incur-xcessive cost. The plant is in dread-ape, but what with growing opti- over cement's future (FORBES, *Mar.* may well be salable and could bring to $6 million. The Justice Depart- could resist this sale on antitrust ds, but there is a failing-company ne that could be applied.

e of Penn-Dixie's best assets is the mill at Kokomo, Ind., which chiefly s steel, steel products, wire and products. Besides Nazareth, there e other cement plants, all requiring antial capital spending. Scharffen-r has replaced the heads of both the and cement divisions with top- executives from outside. Now ffenberger must decide which s of the company to keep and which er for sale to raise cash.

e fact remains: As against total debt out $46 million, there are corporate having a book value of $176 mil-robably worth much more through y sale. Penn-Dixie could well pro-o the bankruptcy court a reorgani-n plan before the 120-day deadline ed by the court. This means the any could be out of bankruptcy rela- soon—sometime after the four-h deadline.

e steel division, Penn-Dixie Steel , is the stockholders' white hope. ear the steel division's sales totaled million, *vs.* the cement division's ne of $88 million; the Aggregates Construction division's road build-nd erection of structural concrete cts added $63 million. Steel operat-come totaled $1.3 million, cement d $1.5 million (without counting a million markdown from closing of Nazareth cement facility) and con-ion operating income came to 000—after adjustment for a $4.7 on loss from an operation now being lated. That all came to 56 cents a of operating profit. So, the stock t only about 19% of book value and 4 times last year's operating earn- Stockholders have paid a heavy for past mismanagement, but all is st. ■

"I never knew gold rum tasted like this."

If you're still drinking Canadian & soda... It's because you haven't tasted gold rum & soda.

That's the reaction that's made Puerto Rican Gold Rum one of the fastest growing liquors in America today. It's the smooth alternative to bourbons, blends, Canadians—even Scotch.

Try our Gold Rum with soda, ginger ale, or on the rocks. The first sip will amaze you. The second will convert you.

Make sure the rum is Puerto Rican. The people of Puerto Rico have been making rum for almost five centuries. Their specialized skills and dedication result in a rum of exceptional taste and purity.

No wonder over 85% of the rum sold in this country comes from Puerto Rico.

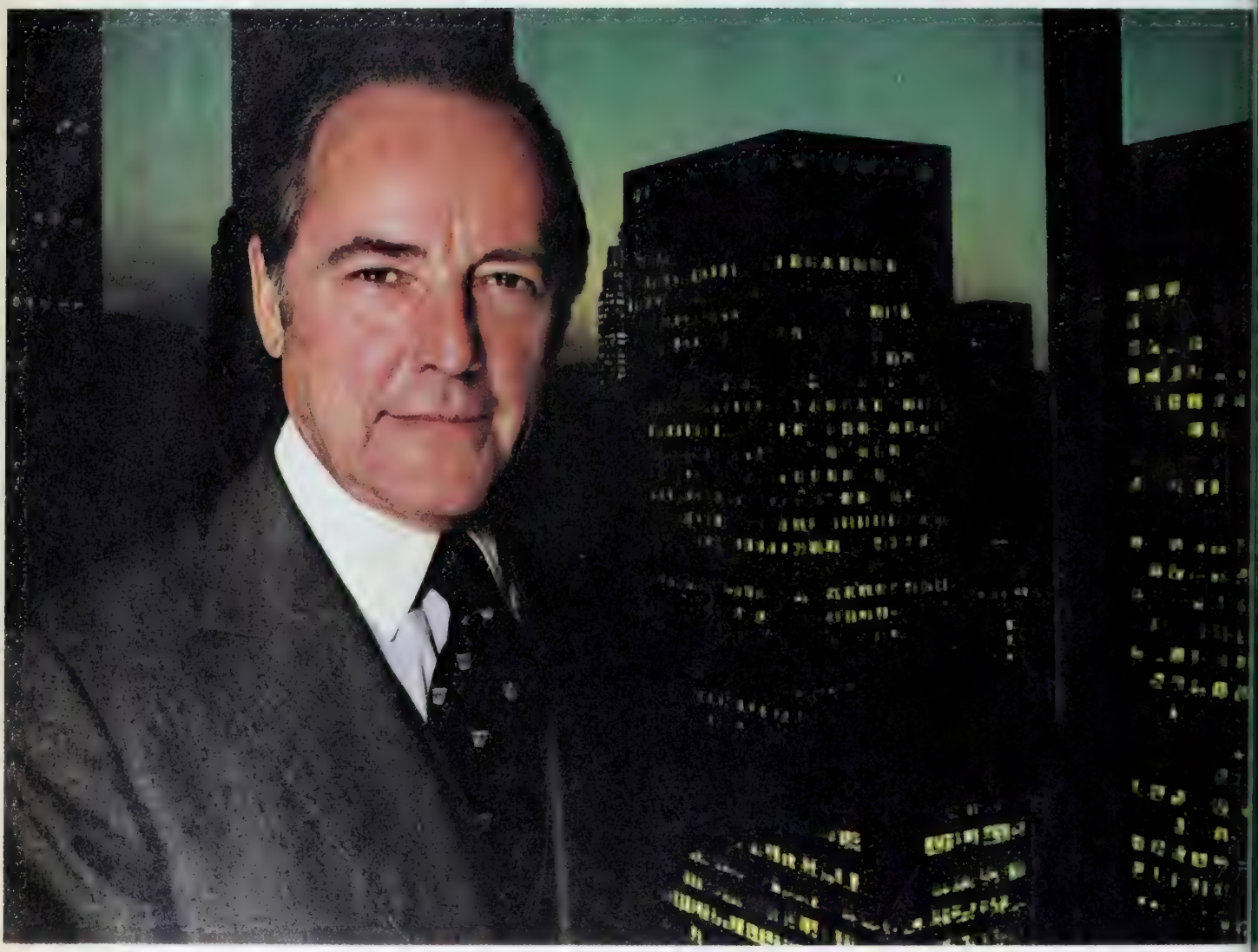
PUERTO RICAN RUMS

Aged for smoothness and taste.

For free "Light Rums of Puerto Rico" recipes, write Puerto Rican Rums, Dept FB-5, 1290 Avenue of the Americas, N.Y., N.Y. 10019 ©1979 Commonwealth of Puerto Rico

"At Union Pacific, we consider the effective management of reliable information vital to our continued progress."

James H. Evans, Chairman, Union Pacific Corporation



At Dun & Bradstreet, our job is to help.

Business executives know
t the name Union Pacific
nds for a lot more than rail-
ads these days. Today, the
erests of Union Pacific Cor-
ration encompass transpor-
ion (Union Pacific Railroad),
ergy and natural resources
hamplin Petroleum, Rocky
ountain Energy, Upland
dustries).
The 16 major operating units
The Dun & Bradstreet Cor-
ration provide a wide range
information and business
vices that match the needs
Union Pacific management.
Moody's Investors Service,
e of the Dun & Bradstreet
mpanies, enables Union
cific to tell its story in detail
the investment community
h Full Measure Coverage
in Moody's Manuals.

To reach 85,000 purchasing professionals, Union Pacific advertises in Purchasing World, one of 20 magazines published by Technical Publishing, a D&B company. To reach top management, Union Pacific uses Dun's Review.

Union Pacific employees find the information contained in the Official Airline Guides indispensable. The OAG contains schedules and fare data on 600 airlines flying to 3,800 cities around the world.

Dun's Marketing Services helps Union Pacific identify potential customers for its four operating companies by providing key marketing data on more than four million U.S. businesses.

And, Union Pacific relies on Dun & Bradstreet's credit information to help make sound decisions based on fact. In fact, a former D&B credit correspondent, Abraham Lincoln, was President of the United States when Union Pacific was originally chartered by Congress to open up the American West in 1862.

At Dun & Bradstreet, we understand the needs of large, diversified corporations as well as those of our thousands of small business customers.

When it comes to both business information and services, the resources of The Dun & Bradstreet Corporation produce results.

The Dun & Bradstreet Corporation

ess Information Services: Dun & Bradstreet Credit & Information Services; Commercial Collection Division; Dun & Bradstreet International; & Bradstreet Plan Services; National CSS; The Fantus Company; **Publishing:** Reuben H. Donnelley; Official Airline Guides, Travel Magazines; dy's Investors Service; Technical Publishing; Funk & Wagnalls; **Marketing Services:** Donnelley Marketing; Dun's Marketing Services; **casting:** Corinthian Television Stations; TVS Television Network; Peters, Griffin, Woodward.

WE HELP DISCOVER OIL.

ISN'T IT SURPRISING SO MANY INVESTORS HAVE NEVER DISCOVERED US?

Most well-informed investors know NL Industries as a major specialty chemicals and fabricated metals company.

But here's something many of them don't know. NL is now one of the world's leading petroleum service companies.

In fact, in just four years, we've invested over one-half billion dollars in NL Petroleum Services.

When oil is discovered anywhere in the world, chances are one of NL's products or services helped make the discovery. For example, NL's Baroid Division is one of the world's leading suppliers of essential drilling fluids.

Baroid is just one reason why sales and earnings of NL Petroleum Services have *doubled* in four years.

As a result, our petroleum service operations now account for nearly two-thirds of NL's operating profit. So it's not surprising that NL has become a major factor in the oilfield services industry.

There are a number of other things to discover about this somewhat misunderstood company with sales approaching $2 billion.

Send for our annual report and discover some of them for yourself.

NL Industries

1230 Avenue of the Americas, New York, New York 10020

R.J. Reynolds Industries a potential Sea-am? There are some interesting similarities.

Cigarettes with an oil chaser

The Streetwalker

HE STOCK OF R.J. Reynolds Industries starts to move just after Seagram Co.'s stock goes crazy over s that Seagram is about to sell its big nd gas operation. Why? That's easy. is sitting on an oil and gas operation might be as juicy as Seagram's. We'll e it real simple for you: If RJR's oil gas is worth about as much as Sea-'s it would have a market value of t $24 per RJR share. Since RJR was ntly selling around $34 and will have than $5 per share in earnings out-the oil and gas properties, you can why investors would get excited t RJR after reading about the Sea- deal. Take out the oil properties RJR is selling about 2 times earnings. ere are a couple of hitches, of se. There is no reason to think RJR s to sell its Aminoil subsidiary, from the oil company's lengthy, ate annual report. Moreover, RJR's ets spread over a capitalization of million shares, 3 times as many as am has outstanding. Still, if you to own some oil and gas as opposed aking a quick turn in the stock mar-there's a lot to be said for RJR as a al kind of oil play. Aminoil has pro-on in California, Louisiana, Texas, North Sea and Argentina. Late last h it announced a "significant dis-y" in northeast Montana.

inoil holds a nearly 50% interest in 80-acre operation in the Richland nty area of the Williston Basin, e the wildcat discovery was made; o has partial interests in a further 000 Williston acres. All told, during rst quarter of 1980 Aminoil's explo-n efforts resulted in an additional 5 on barrels of oil reserves. Aminoil 57% success ratio—exceptionally —on 12 gross exploratory-type . "That was no one-shot fluke," Geoffrey Hertel, a savvy oil analyst with Houston's Rotan Mosle, "because last year Aminoil had a 53% success ratio, on 62 exploratory wells."

According to the company's latest estimate, last year Aminoil increased its proven oil reserves by 12 million barrels, for a total of 130 million. Aminoil also sits atop some 655 billion cubic feet of natural gas. That doesn't take into account another estimated 60-million-or-so barrel equivalents of known but unproven reserves that Aminoil possesses. Aminoil's production makes it the 28th-largest oil company in the U.S.

Clearly Aminoil has been well worth the $522 million paid by Reynolds in June 1976 to acquire Burmah Oil's U.S. properties and most of its oil business. Since then the big tobacco company has poured close to $450 million into exploration and development. Moreover, says Geoff Hertel, "Aminoil's management has indicated they intend to pour $1 billion into exploration and development over the next five years."

Okay, but let's give a value to Aminoil's reserves. Assuming current prices, let's allow for theoretical capital gains taxes and a few other contingencies and say the reserves are worth $2 billion, net. That would work out to about $20, net, per RJR share. Since the stock currently sells for around $34, that would put a price of about $14 a share on the rest of the company. As we said, RJR is projected to earn over $5 a share from its nonoil operations this year, but what else is in the package? A book value of around $25 a share, excluding oil, for one thing. A beautiful cash cow in its cigarette business, for another—a business that throws off half a billion *after* taxes every year and requires very little in the way of capital spending for its Winston, Salem, Vantage and Camel brands.

Here's how Peter J. Enderlin, an analyst from Smith Barney, sees the situation: "Cigarettes account for more than three-quarters of profits. Reynolds, with nearly a one-third share of the domestic market, is doing very well here. Unit volume was probably down about 3.5% in the first quarter, but price increases of about 8.5% more than made up for the shortfall, and by year-end unit volume should be back even with last year.

"That's domestic cigarettes. Overseas is a much better story. There, overall unit volume increased by about 10% even after the loss of the Iran operation."

Del Monte Corp., acquired in February 1979, contributed a sizable first-quarter sales gain to RJR's considerable food operations. Unfortunately, high fixed charges, resulting from the purchase and heavy marketing and development costs, kept earnings from the division (Chun King foods, juice, canned fruits and vegetables) just slightly above last year.

Sea-Land, the company's containerized shipping subsidiary, showed a small decline in earnings on a 15% gain in revenues in the first quarter. The main reason: soaring fuel costs. The outlook for the rest of the year for Sea-Land is poor, owing to the recession and the threat of a dock strike. However, Sea-Land is only 14% of RJR revenues and is a good bet for the future.

But back to oil and gas. The energy business throws off over $200 million a year in cash flow from operations and grows at a rate of better than 40% a year. Exactly how valuable are Aminoil's reserves? "We have to get more details on the specific fields and their reserve and production rates," says analyst Hertel, "but undoubtedly you're looking at a reserve position at Aminoil today that runs into billions." An enthusiastic Peter Enderlin is more specific: "The Sun Co. offer for Seagram's energy operations reinforces my belief that Aminoil USA alone is worth $3 billion in today's market, where Sun paid over $12 a barrel for Texas Pacific's domestic reserves. That would come to about $30 for each share of Reynolds."

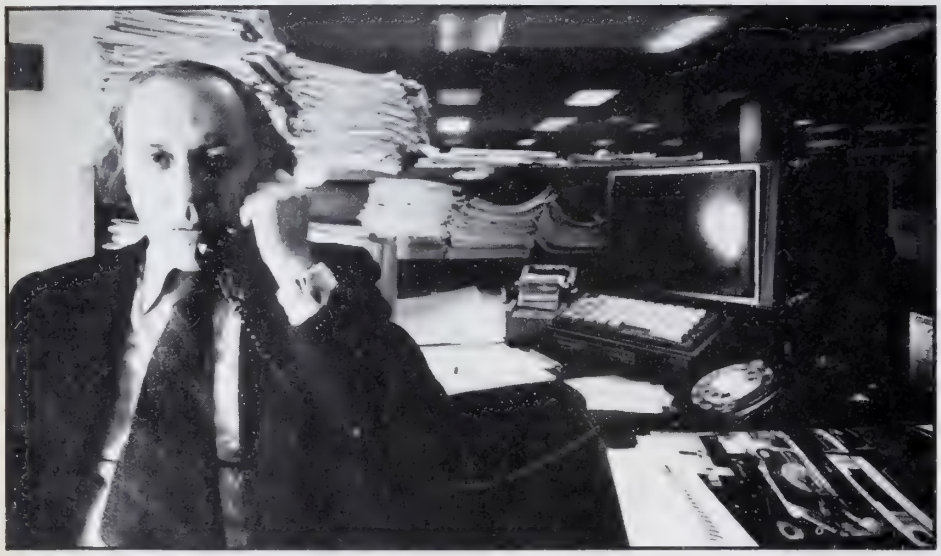
The point is that Aminoil, so far, has made only a modest contribution to RJR's overall earnings, accounting for about 6% of operating income last year. Oil is, in effect, a hidden asset so far as earnings are concerned. Meanwhile, the rest of the company is flourishing. Earnings in the first quarter were up 40% over the first quarter of 1979. Analyst Enderlin looks for $6.20 (fully diluted) for the full year and adds: "I've estimated about another 10% gain in 1981."

Then there's the dividend, $2.10 a year and below Reynolds' traditional payout ratio; here's one company that could easily raise its dividend this year. There may be more exciting ways than RJR to play the oil and gas angle in the market these days but we can't think of a safer one.—*Howard Rudnitsky*

Short-selling is not a graceful way to age. Suppose DTS' problems are only short term.

Why bears have ulcers

The Streetwalker



Warren Beck in his Herzfeld & Stern office
Rosy dreams and sweaty nightmares.

A FEW WEEKS BACK, a former student of Renaissance history turned market analyst gave us a glimpse into the arcane world of the professional short-seller. Herzfeld & Stern analyst Warren Beck, 37, has been on special assignment for a swinging hedge fund which has recently just covered a big short position in a hot little stock named Data Terminal Systems, traded on the NYSE. Beck and his friends were not amused when *Business Week (Mar. 17)* ran an upbeat story that said DTS earnings could only drop to around $2.60 a share in fiscal 1979 ending Jan. 31, 1980. When you are sitting with a big short position, it doesn't help when a widely circulated publication says, in effect, that you are on the wrong side of the stock. End of March, Beck calls us. All wrong, Beck said of the BW article, just as wrong as earlier forecasts that had DTS earning $3.75 in fiscal 1979; in fact, it came through with less than $2.

At the time, Beck and his customers were not alone in their bearish stance. As against 5 million DTS shares outstanding, the short position was a huge 320,000 shares.

DTS is the kind of stock that can give speculators rosy dreams or sweaty nightmares. In electronic cash registers, point-of-sale terminals and labor-saving supermarket scanners that read the Universal Product Code, it is second to NCR—although much smaller, with sales of $107 million, less than 1% of NCR's. Only five years ago, DTS had revenues of just $7.5 million; in the 1978 fiscal year its *profits* were twice that.

The trouble with that kind of growth is that it can get out of control. Beck and his friends were betting that this was just what happened. Uncontrolled growth can be almost as serious for a company as lack of growth, especially when the company is relatively young and lightly capitalized and when borrowed money costs an arm and a leg.

Others weren't so sure that DTS w in trouble. The company has plenty partisans on Wall Street. At the end March, President Robert F. Collin went before the New York Society Security Analysts and confessed th earnings for fiscal 1979 were only $1.9 share. The stock barely budged, slippi just a half point to 23¼.

We were intrigued by the situation a decided to learn more.

Rumor had it that the famous Rob Wilson (FORBES, *Oct. 1, 1979*) was sho ing DTS. We asked him. Not so, Wils told us. He had been short previously b covered at around 30. He thought it w still a fine company. "I would rather long than short now," he told us. Thou famous as a short, Wilson feels that t long side of the market is the place to most of the time with most of on money in the 1980s.

So Wilson was basically bullish DTS. So were most other analysts spoke with. "Sure, DTS has near-te problems," said one, whose mutual fu is a big holder, "but the price of the sto reflects those problems. I think the sto will be very rewarding."

Well, we wouldn't have a stock marl if there weren't different opinions on t same stock.

The stock, selling at 47 as recently November, nose-dived to the 30s beca of reports of cost overruns, semicond tor shortages and overseas distribu problems. Just a month after we talk with Beck, the news broke: Murray Ruben, cofounder and second larg stockholder of DTS, announced his res nation from the board. In May the st dropped below 18 amid rumors that new fiscal year is off to a questiona start because the high cost of money making it difficult for DTS customers get third-party financing.

Warren Beck is betting that the D problems are chronic. The bulls are b ting they are only temporary. A lot of bears have covered; the short positio now only 100,000 shares, down 69 The shrinkage of the short posit means that there are now fewer be ready to buy the stock for covering p poses if it drops.

If things are really bad, DTS is putt a brave face on it. For three years nov has treated its entire work force, n 2,000 people, to a company-paid tri this year a choice of either Paris or B muda. As we write, part of the w force is already Eiffel-Towering it wh the rest have their bags packed.

With the explosive growth a compa like DTS is capable of, the stock co easily turn around and trap Beck and fellow bears. But if it should turn out t costs really are out of control. . . .

See why short-selling isn't for timid?—*Robert J. Flaherty and Gerald Odens*

Forbes

Special Advertising Supplement

by
Harvey L. Poppel
Senior Vice President
Booz • Allen & Hamilton Inc.

"How to divide and conquer the computer"

The newest wave in computer usage is Distributed Information Processing (DIP), which promises to become one of the major management approaches to the business strategies of today and tomorrow.

To a large extent, contemporary strategies are pointed toward the goal of growth in an era of diminishing horizons and increasing limitations. They are designed to make the most of shrinking human and material resources, aging plants and facilities, mounting foreign competition, uncertainties in the social and political spheres, legal constraints on growth-by-acquisition, compliance costs, and public concerns ranging from consumerism to environmentalism.

Consider nine current strategies which are applicable to the widest spectrum of industry, without regard to market or product:

- Shorter, more successful development cycles
- Better return on new products or services
- Higher fixed asset utilization
- Reduced inventory investment
- Maximum revenues from existing customer base
- Less expensive marketing channels

DISTRIBUTED PROCESSING.

Honeywell systems put needed information at management's fingertips.

Information. It's one of your most valuable resources. Properly managed, it makes managers more effective, workers more productive, and customers happier.

The message.

Distributed processing is a way of combining computer and communications technology to handle the business information requirements of multiple locations. Instead of bringing the work to the computer, you spread your computer power around to do the most good for the most people.

Sounds simple. But when you have computers talking to computers talking to users over communications lines, the complexities mount up fast.

The medium.

So we started with our Distributed Systems Environment. It's Honeywell's way of making sure that every product performs effectively in distributed networks. Now, and in the future.

Then we built hardware and software products that are both compatible and easy to use. Our small systems talk to our medium and large systems and our terminals talk to people. And we backed them all up with our nationwide distributed maintenance service.

Security.

Even as we've made our systems more accessible to more people, we've developed security provisions. Sensitive information can be limited to those people with a need to know.

And control.

We've kept our distributed systems concepts flexible. So you can have the management control that best fits your operation. And you can modify your system as your needs change. That's information control. And it's one of the things we do best.

For more information on Honeywell distributed processing, write: Honeywell, 200 Smith Street (MS 487), Waltham, Massachusetts 02154.

Honeywell

- Less expensive physical distribution systems
- Tighter cash management
- More efficient compliance

What these have in common is that they are productivity oriented. They are also directly linked with Distributed Information Processing insofar as their effective implementation is concerned.

DIP positions computer power at the "faceoff points" of the organization, providing information quickly and cheaply to those who need it for control, operational or decision-making purposes. The "end users" may include the CEO, division heads, staff professionals, line managers, major suppliers or even customers. The end result is to regenerate both internal and external communications channels that atrophied when businesses took whole-heartedly to processing and storing information in huge centralized computers. Teleprocessing partially restored those channels. DIP reestablishes them, without affecting the integrity of the information maintained in the principal databanks.

BEYOND EDP

Unique among the technologies of this inflationary age, the computer grows steadily better and cheaper.

The phenomenon is largely the work of what some have called the incredible shrinking memory—in other words the geometrically decreasing size of the tiny random-access memory chips that now pack as many as 64,000 bits per quarter-inch chip and are moving toward 256,000 bits in the same tiny space. Similar chip technologies are also making it possible to process those bits at incredible speeds—soon to be measured in pico-seconds (trillionths of seconds).

Such greater capacity at ever less cost per-bit, or unit of information, has vastly expanded the universe of the computer. New families of computer-like devices and peripherals are bringing the power of electronic data processing (EDP) to millions of additional users.

This blossoming of intelligent, stand-alone, table-top, and communications-capable computers has taken EDP to a new stage. People of all ranks and stations in the organization can now deploy EDP resources in interactive ways that most suit their own responsibilities. This contrasts with the virtual inaccessibility of computerized information in the previous incarnations of data processing, the Isolated Computer followed by the Large Computer Center.

General managers in organizations which have embraced DIP tend to express highly positive feelings on their new perspectives and controls over the areas of their responsibility. They believe DIP gives them a handle on the way things are—just about anywhere in the organization and up to the minute.

Sparking this trend has been the one device that embodies the smaller-and-better-yet-cheaper promise of DIP: the minicomputer. First developed for specialized functions, such as process control, tens of thousands of these machines are now performing more generalized tasks, such as branch office transaction processing, relieving the burden on the large, centrally installed mainframe.

Placed within reach of the end users, the minicomputers tend to refocus and indeed reshape the ways people work with them. They become, in their turn, central to organizational departments, regional offices and plants, retail stores, and other activity and profit locations.

The same random access memory and logic chips that underpin minicomputers are also the shared genes of intelligent devices that are small enough and cheap enough to be used as the information nodes of a data communications network extending far from the control mainframe. These interactive work stations include data terminals, word processors, copiers, calculators, and even telephone sets. They distribute, on a planned basis throughout the organization, real-time, on-line power and responsibility to perform jobs and report their status.

DIP may indeed extend these capabilities to sectors of the society hitherto barely touched by EDP itself. Clerks, bluecollar workers, salesmen, policemen, and insurance agents are among the legions of new end-users of computerized systems—utilizing terminals in branch offices, factory production lines, hotel rooms (salesmen attaching their terminals to telephones to report back to the office), and patrol cars (to check on stolen vehicles).

DIP promises enhanced productivity from more and more members of the workforce. It also threatens displacement or unemployment for those whose skills are replaceable by intelligent terminals—such as clerks with fewer papers to file, production supervisors who once compiled the job sheets that now come forth from magnetized cards, secretaries who once took reports from dictation that now emerge as tapes or disks for computer processing, and others who must raise and refine their skills or pass from the workaday scene.

But those who remain to man the terminals will not simply access the database to send or receive information. They will also be reporting on their own work in such a way that management will be better able to distinguish top performers.

RETAIL MANAGERS AS PROPRIETORS

Retailing is a good example of the possibilities of DIP in broadening the scope of responsibility and performance—giving the end-user a sense of the greater organization and the company the precise, timely reporting it needs.

The Chart House experience is a case in point.

The restaurant manager, sometimes called the "client" in Chart House's new DIP network, is clearly the protagonist in the eyes of the restaurant chain's president and CEO, Robert K. Luckey, Chart House is itself the largest Burger King franchisee in the U.S. (with some 344 outlets in the South, Southeast and Midwest). It also owns and operates 40 Chart House steak and seafood

restaurant and 61 Cork 'N Cleaver restaurants.

Chart House takes the EDP aspect of its work so seriously that it has established a subsidiary to take charge of developing and implementing its DIP network. The function of Management Systems Design, Inc. is, in Luckeys words, to save the company time, money, and effort.

The key role of the restaurant managers rests in the power to capture information on their own minicomputer. Those data are forwarded to one of three higher level regional computers located in Chicago, Norfolk, and company headquarters in Lafayette, LA.

The information is fine-tuned to the point where a store manager can record how much business the store did between 11 a.m. and 2 p.m., say, in terms of the specific items sold and labor cost during the period. The manager can also measure productivity and business trends, how many people the store will need in coming weeks and months, and what food items should be ordered from the main commissaries. The manager may thus plan for weeks or months in advance as he or she gets the picture of longer term operations from headquarters reports.

Store managers also know how well they are doing in comparison with other managers in the region.

As Luckey sees it, restaurant managers tend to get the feeling they are the true proprietors of their respective outlets, preparing their own payroll, inventory reports and accounts receivable on a daily basis and communicating with headquarters.

Chart House management confesses to a "new tendency" to make analyses and long-term plans—something hitherto neglected in favor of "educated hunches." The new DIP activity is given credit for this because it provides historical reports management could not have had under the old system.

As they do almost everywhere else in the DIP realm, overall control and programming remain a centralized concept. If there are questions of any kind, the problem becomes headquarters' own responsibility.

Luckey, like others in top management, stresses the "positive" aspects of DIP rather than its Big Brother aspects. "We really believe people like to know what they're doing," he says. "The store managers like to see themselves as part of a bigger picture and can work toward personal advancement with such information readily at hand."

A TWO-LEVEL SYSTEM

Some organizational operations thrive on the co-existence of centralized and distributed processing.

EF Hutton believes it has a far sharper, better, more economical operation because of its move to distributed processing. But their system demonstrates an important maxim: EDP users would be wise to render only certain functions unto DIP while retaining and even expanding other functions on a centralized basis.

Hutton's DIP system was divided into two levels: the primary level that services the store and forward private wire network and the secondary level that services interactive programming services similar to timesharing.

Hutton's international private wire network, COMPASS, has evolved from a high speed message switch and order processor into a comprehensive management information and sales support system. COMPASS enables Hutton's 3500 account executives throughout the world to have immediate access on demand to research opinions; trading ideas; "inside markets" for corporate bonds, governments, municipals and other securities; product facts; customer status information and much more.

Because of the high response time demands of this interactive system, a distributed network approach was chosen. Instead of one centralized data base, the new architecture uses a hierarchy of distributed data bases. The new design encompasses the introduction of minicomputers into the grid of lines servicing the COMPASS network to handle regional data bases. This relieves Hutton's large central processing complex in New York of the numerous inquiries that it was formerly required to handle. "Most inquiries from the downsteam terminals are now processed by one of the regional processing nodes, improving response time significantly," says Bernard A. Weinstein, First Vice President, Communications. The central data bank of the host processor provides back-up for the remote systems.

The installation of the second level of Hutton's DIP resulted from a need to control growing timesharing costs while still providing highly reliable and available timesharing support. This level was designed to handle point-to-point timesharing models and tasks as opposed to COMPASS' high volume, multi-point message routing. The move to an internal minicomputer network rather than the use of conventional timesharing has reduced costs estimated at more than $400,000 over the last two years, according to Vincent T. Pica, chief of MIS services for the big brokerage house.

What Hutton has today, says Norman M. Epstein, Executive Vice President, Operations, is a distributed data base that gives the account executive quick and accurate access to the information he needs to conduct business from anywhere in Hutton's branch network

Epstein sees Hutton's "basic philosophy" in terms of a centrally controlled EDP capability that allows the end user, wherever located, "every conceivable access to the data base he needs."

LINKING CENTRALIZED/ DECENTRALIZED SYSTEMS

In some companies the dynamic co-existence of centralized, decentralized, and distributed systems depends, simply, on the nature of the operation.

The Hertz route toward distributed processing, a journey now underway, will eventually link up computerized operations that are currently both centralized and decentralized.

At this writing Hertz has two major computer centers, one at New York headquarters for car/truck/commer-

CANON INTRODUCES THE WORLD'S MOST COMPACT BIG COPIER.

lot much larger than a typewriter. Yet it can copy on virtually any paper. Up to 11 x 17. At 20 copies per minute letter size. The reason: Micro-Computer technology. Fiber optics. A revolutionary "Toner Projection" system. Canon NP-200. A new monocomponent plain paper copier. That fits your needs. Your office. And your budget.

Canon®
PLAIN PAPER COPIER
NP 200

MICRONICS MAKES IT SIMPLE.

Canon USA Inc. Copier Division/10 Nevada Drive, Lake Success, New York 11042
I'd like to know more about the NP-200.
☐ Please send me more information. ☐ Please have a salesperson call.
NP 200

NAME _____ TITLE _____ COMPANY _____
ADDRESS _____ CITY _____ STATE _____ ZIP _____
TELEPHONE _____ FB0526

1980 Canon U.S.A., Inc

cial leasing and equipment rental activities, and the other at Oklahoma City to handle all reservation functions and a number of centralized accounting functions for the Rent A Car division

The most visible (or most audible) of Hertz' computerized operations is, of course, the car reservation system: a customer almost anywhere can quickly reserve a car almost anywhere.

Reservations apart, the support services for car rentals are intricate in their own right. Hertz utilizes geographically distributed minicomputers and intelligent terminals at airports to keep track of car inventory and availability. Rental representatives need to know when a given car will be ready after refilling the gas tank, checking the oil, and otherwise preparing it for use. They must also know the mileage and the license number to prepare it for checkout (the car itself may well be hundreds of yards or even several miles away, given the present tendency for airports to exclude car rental agencies from the main premises). Frequently, the customer must be bussed to the car—an operation that can amount to several thousand riders daily at Los Angeles International Airport, the busiest of Hertz' locations in the U.S.

This type of computerized system began with one small minicomputer at the Los Angeles International Airport. It has since expanded to include other major California airports. Another such system includes the Boston and New York airports and others, including Philadelphia and Washington. A Florida system is developing along similar lines.

These decentralized systems are each based on single host minicomputers. But there is an extra minicomputer at each site as a "fallback and recovery" system because, says John Whitney, director of systems planning and review, "once we install this system it becomes essential to operations."

Hertz will continue to develop the use of these computers in major locations to provide increasing assistance to its operational management. They feel that their step-by-step approach has offered many benefits in adjusting the program to the changes required by the Rent A Car industry and in its efforts to minimize customer processing.

Hertz has also anticipated distributing these concepts on to its European locations with "in country" minicomputers in its major European headquarters. Major development programs are also underway in the company's Truck and Car Leasing Divisions.

In the offing, according to present plans, Hertz will not only upgrade these free-standing terminals to allow both data capture and communications but will also link up the six regional computers, the reservation system, and the accounting system into a distributed network.

The thinking now is to begin moving some of the centralized accounting out of Oklahoma City and into the regions to make the most productive use of the new distributed facilities.

European computerized systems, however, offer quite different challenges, Whitney says. Data flow is often restricted across national frontiers. Telephone service is generally mediocre at best. Nonetheless, Whitney hopes to link up the various computer systems—stretching from the United Kingdom and Scandinavia across Europe to Israel. Slowing down this move toward an eventual distributed system, however, are different national laws and regulations on everything from capitalization and vehicle accounting to labor laws.

"We have a long way to go," Whitney says. "But we're going the distributed route in our own way, one part at a time."

A MANUFACTURER'S EXPERIENCE

The potential of DIP in a manufacturing environment is most dramatic on a multiplant or even multinational scale. It is understandable that Texas Instruments, among other computer manufacturers, tends to see its own experience as a valuable marketing consideration for prospective customers.

TI operates 48 plants in 18 different countries and boasts a distributed processing system that links some 8,300 terminals to 140 network-connected distributed processors and to the central mainframe complex in Dallas. This set-up would permit necessary expansion to accommodate a five-fold sales increase over the next 10 years, according to John White, assistant vice president/information systems and services.

White and other managers see the distributed network as indispensable in keeping top management, manufacturing, and marketing in close touch with one another on a daily, automated basis. Top management, in fact, has access to very detailed data and can extract what's relevant from the data stream.

TI's communications network, with its message-switching power, gives the company what amounts to an interoffice/interplant electronic mail service, which has become, White says, the standard way to communicate inside the company. It uses existing facilities to save time, energy, and postage.

A third major benefit from distributed processing, White says, is the electronic accountability of material in transit. This is now beginning to track products through the various stages of manufacturing, from basic materials through assembly, generating the proper documentation, routing scheduling, and other specifics enroute.

TI's distributed network primarily serves the manufacturing level, but a move is now underway toward a direct computerized interface with the finished goods inventory system as well.

Apart from such basic, system-wide applications, TI engineers are applying distributed processing to the automated design of printed circuit boards, using interactive graphics. Another application is work-in-progress scheduling and control systems to generate statistical engineering data for production planning. Still other applications give TI a customer service system that minimizes the time it takes to process customer orders, inquiries, service requirements, and purchases.

It pays to put a reyhound in your computer room.

Leasing a computer system an important undertaking r any business. Equally impor- nt is selection of the leasing mpany. We suggest you nsider Greyhound Computer orporation.

Greyhound Computer ers customers a full range the finest computer systems d compatible equipment. nd with almost 20 years perience, our ability to custom-tailor leases to the unique requirements of each customer is unmatched.

As a wholly-owned subsidiary of The Greyhound Corporation, Greyhound Computer—and its customers—benefit from the financial stability and resources of this diversified organization.

Greyhound Computer has the equipment, the experience, the people and the resources to satisfy all your computer requirements. We'd like to show you all the ways it pays to put a Greyhound in your computer room. Call us today.

800-528-6113

Greyhound Tower
Phoenix, Az.
85077

Greyhound Computer Corporation

Will American productivity be crushed by the paper weight?

There's still a chance you can escape the paperwork pile-up that threatens productivity all over the country.

At NBI, we're helping cut the problem down to size.

We build the NBI System 3000, an office system designed to manage all the paperwork, information processing and communication problems your company can generate.

Unlike most systems, we try to make every task as automatic as possible. Functions like outlining, indexing, sorting, footnoting and equation typing can be done easily, with minimal operator effort. And the NBI System 3000 is document oriented so any time you make a change, the copy adjusts—page by page—without operator assistance.

Of course, the NBI System 3000 does all the things you'd expect of a leading word processor—text editing, communications, arithmetic, mailing list control and repetitive typing. The NBI System 3000 just makes it all easier and more efficient.

People become more productive, automatically and electronically.

So if paperwork is starting to pile up around you, remember, you've still got a chance.

Call NBI. 1695 38th St., Boulder, CO 80301, 800/525-0844. In Colorado, call 303/825-8403.

NBI

Lifting America from under the paper weight

TI's 8,300 terminals of 1979 are expected to proliferate into 25,000 terminals and 10,000 minicomputers by the mid-1980s.

It would seem, then, that TI—as well as other manufacturing and vendors of information systems—exemplifies what its growing market portends: computerized devices increasing at a vastly faster pace than the growth in the workforce itself, a quantum penetration of the market that may one day saturate it like telephones do today.

CUSTOMER SERVICE AS A MOTIVATION

As these examples indicate, each organization tends to invent its own wheel—if only because DIP permits it to do this far more flexibly than centralized or decentralized EDP.

A prime instance of where the need for DIP is often first perceived is at the customer interface—where competitive factors demand effective order entry, inventory control, distribution, and interbranch product transfers.

Hunt Chemical Corporation dug one million dollars out of its corporate pockets to move into DIP. The reason: its people couldn't use the centralized timesharing system on an interactive, real-time basis, according to Ralph J. Ciccone. He is director of information systems at the Palisades Park (NJ) manufacturer of specialty chemicals (for the photographic and office copier industries) and printed electronic circuit boards.

The company has installed minicomputers in each of the company's 9 regional offices and warehouses. The system will eventually permit a clerical worker receiving an order by telephone to generate both the shipping papers and the invoice while the customer is still on the phone. If an order can't be filled at one such regional location, another nearby may be able to fill the order without forcing a production run at the manufacturing level.

Ciccone can't put a bottomline figure or even a productivity gain estimate on DIP. But he, as others, insists that it makes for happier customers who are, therefore, more likely to remain loyal and become even more valued.

Hunt is now looking into the possibility of DIP systems for other phases of its business.

E.R. Squibb, one of the largest DIP users, has invented an appropriately larger wheel. The huge drug and cosmetic manufacturer is an early convert to the DIP theory but only a recent one to the actual, on-line installed system.

Even a year as recent as 1978 can have a certain neolithic sound to it in EDP terms. Up to then, Squibb had a decentralized order entry system with one big batch-processing computer at each of its nine distribution centers.

In management terms, this meant that each such distribution area was more or less self-sustaining, hermetically sealed from other distribution centers insofar as information transfer and exchange were concerned—except, of course, for telephone, telex, and the mails.

Isolated from one another, each of the nine back-order entry systems suffered from long order cycle time (from two to five hours to process an order and make it ready for shipment). Customers phoning in their orders couldn't find out if a product was available or not, because the perpetual inventory status was uncertain. None of the nine centers could readily communicate with one another. Only the East Brunswick (NJ) headquarters computer center could relay information on products and customers among the centers.

And, if one or more of the nine centers was disabled, no other center or combination of centers could help maintain customer services.

Squibb began feasibility studies in 1974 to find a better way to manage customer orders.

The task force came up with three options. First, to utilize the existing system for batch-order entry alone, which would be relatively expensive and lacking the total communications power needed. Second, a totally centralized system in which input-output terminals would be directly linked to the data center's mainframes; in this case hardware costs would have gone down but communications costs would have been severe. Moreover, the desired local storage capacity and control of information would be lacking.

One could say that the stated requirements practically compelled the third option, an on-line distributed computer network, with interactive minicomputers linked to the data center for two-way transmission via dial-up telephone lines.

The result, beginning in early 1978, was Squibb On-Line Inventory Distribution System (SOLIDS).

Squibb can now service its 85,000 customers (mostly pharmacies and hospitals) through the same nine distribution centers with both speed and accuracy, thanks to five master computers, each with a capacity up to three satellites, allowing for easy expansion to meet changing demand and quick back-up if one center is down.

The company ships more than 800 products in some 1.5 million orders per year. Better customer service is in fact the prime reason for the new DIP system, says Lon Masingill, vice president for physical distribution.

Telephone orders are displayed on a cathode ray tube at time of entry (rather than after keypunching, as before). Order and inventory transactions stay up to date while customers are still on the phone. The one-step data entry reduces paperwork, procedural errors, clerical costs, and delays.

Quite apart from its competitive usefulness, Squibb's new DIP system tightens up the company's own internal operations and controls actually reducing costs while improving activities.

Squibb, like many other enthusiastic DIP proponents, is unable to state the benefits in money or even competitive terms—on the grounds that it's hard to quantify the extra sales you make through better, customer-oriented procedures, except to feel that it's really doing better under the new DIP system.

One source reports it took Squibb 20 man-years and three million dollars to switch from the old EDP system to the new, but Masingill is

content to say, simply, "The new system works extremely well and is a valuable service to our customers."

FROM SHOP FLOOR TO WAREHOUSE

ITT Grinnell is another company whose mid-1970s chronicle also has a Stone Age savor, given the uniquely swift advance of computerized technologies.

As recently as 1974, ITT Grinnell, a leading manufacturer of piping products for the energy and chemical industries, gathered its basic information by mail from its 18 manufacturing plants and 120 distribution centers. It would then truck these basic source documents across town from its Providence headquarters to a suburban computer service bureau for keypunching onto data cards.

This job completed, the company would then send the punched cards— again by truck-to a local bank for processing—after which the bank would hand-deliver the output reports to ITT Grinnell's corporate headquarters.

Among these documents were inventory ledgers from the distribution centers: records for as many as 300,000 separate items that clerks would manually maintain on a daily basis, posting receipts and merchandise shipments.

Once a year the clerks would compile sales and inventory information from these ledgers, along with physical inventory data. The resulting information would often reflect inventory data up to 16 months old.

This was an enormous obstacle to ITT Grinnell's salesmen and customers, according to Daniel P. Nugent, president and chief executive officer of the firm. ITT Grinnell simply didn't know for sure that a given item was actually in stock at a given time.

Under a "charter" from top management, a task force was appointed to work with local and regional management task forces to come up with ideas for improving the situation. EDP would be utilized for the specific needs of each facility while still serving corporate requirements in Providence.

The idea: to provide local and regional control where distributed processing would seem to be most effective, while still retaining centralized control in specific informational categories, such as corporate finance, accounting, and other company-wide matters.

Both the distributed as well as the centralized processing would coexist and interface each other as needed.

The result, five years later, is a total EDP system where data are captured right on the shop floors of ITT Grinnell's manufacturing plants, thus reducing keypunching in plant EDP centers. The workforce itself thus became immediately involved in the information flow, with supervisory personnel directly responsible.

Manufacturing operations keep in close computerized touch with distribution operations, especially marketing. Salespeople can now get up-to-the-minute inventory information.

Administrative EDP functions at each location keep track of personnel, payroll, and compliance with government regulations.

But the main improvement, Nugent says, is the more precise inventory control and the reduction of excess and idle items, all adding up to better customer service from faster response to customer inquiries to faster delivery of ordered items.

ITT Grinnell now boasts more than 60 data processing centers throughout the U.S. and Canada, some handling only their own data, others acting as regional centers for a number of company locations.

According to Joseph A. Dwyer, director of information systems, ITT Grinnell has utilized distributed processing to control costs as well as information—everything from rising postage rates to less costly throughput of inquiries and orders.

Orders the salespeople enter at distribution centers now go to the plants overnight, thus reducing manufacturing lead time an entire week through the elimination of the mails alone. Further timesaving between order origination and fulfillment will result, Dwyer believes, through reduced paperhandling and other procedural delays.

Unit transactional costs, Dwyer says, have declined at ITT Grinnell from 12 cents (1974 money) to 3.41 cents (1979 money)—in other words to approximately one-eighth the cost in inflation-adjusted dollars.

Apart from such quantifiable savings, Dwyer attributes extra sales to the DIP system because it gives salesmen quick, timely information to fill customer requirements.

Nugent himself sees the other prime advantages: The "widened participation of employees at all levels, and a sense of responsibility and follow-through that they simply didn't have just a few years ago."

PUTTING THE BACK OFFICE UP FRONT

Citibank created a similar sense of participation and responsibility in its back office operations—but it took a good five years to bring it about.

Up until 1970 Citibank rated poorly in customer service, a result of assembly-line, one-person/one-step paperwork operations that effectively divorced workers from a sense of the entire operation and of the customers they were there to serve. The system generated errors and delays, perhaps as much from the lack of human motivation as from the poorly planned procedures themselves.

Citibank brought in managers experienced in manufacturing environments. They made what amounted to two separate overhauls of the back-office systems that eventually gave every worker involved greater responsibilities, a higher job status, and—perhaps above all else—a sense of specific service to specific customers.

Where a letter of credit once required some 30 processing steps, 14 people, and assorted forms, tickets, folders, and other documents, one person can now provide the document by accessing a minicomputer or a microcomputer in a distributed network.

The big change, according to Citibank senior vice president Richard J. Matteis, was not so much in procedures and hardware but in the way

Wang.

The future of the office.

Who knows what tomorrow's fice technology will be like? Wang knows.

Because we offer it today. For ample, our new Integrated Infor- ation Systems allow one person perform data processing, word ocessing, high-speed image inting and worldwide communi- tions — from a single work- ation.

We also know that people proach the future from ferent directions. Which why we offer both large mputers that do word ocessing and large word ocessors that manage ta. Our family of total stems meets your special eds. To grow upward or tward, you simply add com- tible, modular components. So as you build toward the future, you protect your initial investment.

We know, too, the importance of support after the sale. Our world-wide staff is committed not only to supporting you today — but to helping you anticipate tomorrow's requirements. Because to keep productivity at its peak, it helps to be ahead of your time.

I want my future told. Send me details on Wang Integrated Information Systems.

Name _____

Title _____

Organization _____

Address _____

City _____ State _____ Zip _____

Phone _____

Send to:
Wang Laboratories, Inc.
Lowell, MA 01851
(617) 459-5000

IIS1/F50

WANG

980 Wang Laboratories, Inc., Lowell, MA 01851

the bank and its people now conducted business. The computer, once a tool for speeding up internal calculations, became fundamental to the individual market and customer areas themselves.

Matteis describes the changeover as basic to Citibank's new business philosophy-and-long term strategy:

> "The day may not be far distant in banking institutions when services are as important as credit. The individual who used to be a clerk with a green eyeshade is now, at Citibank, a first-line service professional. His work station, with all the tools of his unique trade at his fingertips, is a microcosm of the institution's raison d'etre, and his job equates to the institution's mission...
>
> "The work-station professionals have responded visibly. They take a proprietary interest in both their customers and the knowledge they have about those customers, the transactions, and the technology they own.....
>
> "The employees are talking to customers again, as in the old days. They are answering questions and handling problems about transactions they themselves have processed, getting instant feedback on their own performance from the people they perform it *for*.[1]"

In essence, Citibank's DIP operations divide the huge institution into smaller, more self-contained profit centers—at the same time meeting the needs of customers and employees, the former through faster and better service, the latter through a sense of the "whole job."

Matteis does not overstate the DIP aspects of the big change in the back office. He sees it more as an adjunct to the management philosophy that created the change, which itself dictated everything from job descriptions and supporting facilities, wherein computers, room arrangement, and a lot of continuing training all played their parts.

[1]Matteis, Richard J., "The New Back Office Focuses on Customer Service," *Harvard Business Review*, March-April 1979, p. 146

Good news for Word People.

In business, there are basically two kinds of people.
Word People. And Numbers People.
If you're a Word Person, this ad is for you.
And so is this new machine: The Xerox 860 Information Processing System.
It can rearrange paragraphs, change margins, correct misspellings and type out a virtually endless series of text revisions at the speed of hundreds of words a minute.
And it remembers everything it's done for future reference. Or additional changes.
But it also does something you might not expect from a word processing system.
It processes numbers.
Because in business today, Word People have to manage numbers. And Numbers People have to manage words.
And everyone, but everyone, has to manage information.

"I think it's terri

XEROX

XEROX® and 860 are trademarks of XEROX CORPORATION

TRENDS AND OBSERVATIONS

Businesses and government agencies (among them the Environmental Protection Agency, the Veterans Administration, and the Internal Revenue Service) are now moving in significant numbers toward DIP systems.

This trend, according to a recent Booz•Allen survey indicates the move toward DIP may be driven "much more strongly" by strategic business objectives than by data processing/systems development objectives per se.

Based on their client experiences, the researchers believe that most support for DIP comes from top management and other corporate users —not from the data centers themselves, possibly because some EDP managers may see the distributed route as loss of control and power, i.e., an erosion of their own responsibilities.

Other EDP managers, however, may see distribution as an expansion of powers, depending on the specific situation.

But the most important management values expected from DIP, the survey indicates, are (in order of importance), to enhance decision-making, raise managerial/professional productivity, raise clerical productivity, improve competitive positioning, reduce systems development cycle, reduce EDP costs, pinpoint managerial accountability, and meet external reporting requirements.

A predominating observation is the high cost of database software relative to the required hardware.

Moreover, most companies indicate a series of difficult problems beyond the expected new-equipment hang-ups. Among these: soothing ruffled corporate feathers before the winds of change, training employees to utilize the new system at every level from the shop floor to top management, reconfiguring certain operations to the new hardware and software constraints, and choosing whether to co-exist with or abandon older EDP systems representing considerable sunken costs.

The rationale of DIP, however expressed, tends to bottom-line rea-

Good news for Numbers People.

give it a 10."

In business, there are basically two kinds of people.

Word People. And Numbers People.

If you're a Numbers Person, this ad is for you.

And so is this new machine: The Xerox 860 Information Processing System.

It can compute, do statistics and perform the routine work that's essential in managing records, measuring work performance and so on.

And it remembers everything it's done for future reference. Or additional changes.

But it also does something you might not expect from a numbers processing system.

It processes words.

Because in business today, Numbers People have to manage words. And Word People have to manage numbers.

And everyone, but everyone, has to manage information.

XEROX

This empty computer room can keep your company from going bankrupt.

You're looking at the latest, most effective concept in an emergency backup computer facility. It's called ROC (Recovery Operation Center). And it's for members only.

We designed it without hardware. Because that's one of the most effective and least expensive ways to get your company up and running after a major computer disaster. Your vital company functions which depend on data processing can continue with the help of our contingency operation plan while the exact desired hardware configuration is being installed.

Unlike depending upon other companies' computer facilities which may not offer availability, security, compatible hardware, etc., ROC was solely designed for immediate use when computer disasters occur.

ROC has 18,000 square feet of access flooring. 1200 telecommunications lines. 15,000 square feet of additional space for offices and indirect support. A 360-ton chilled water system. A HALON 1301 fire extinguisher system. And 60/415 cycle power – sufficient to support 3 IBM 3033's or their equivalent, simultaneously.

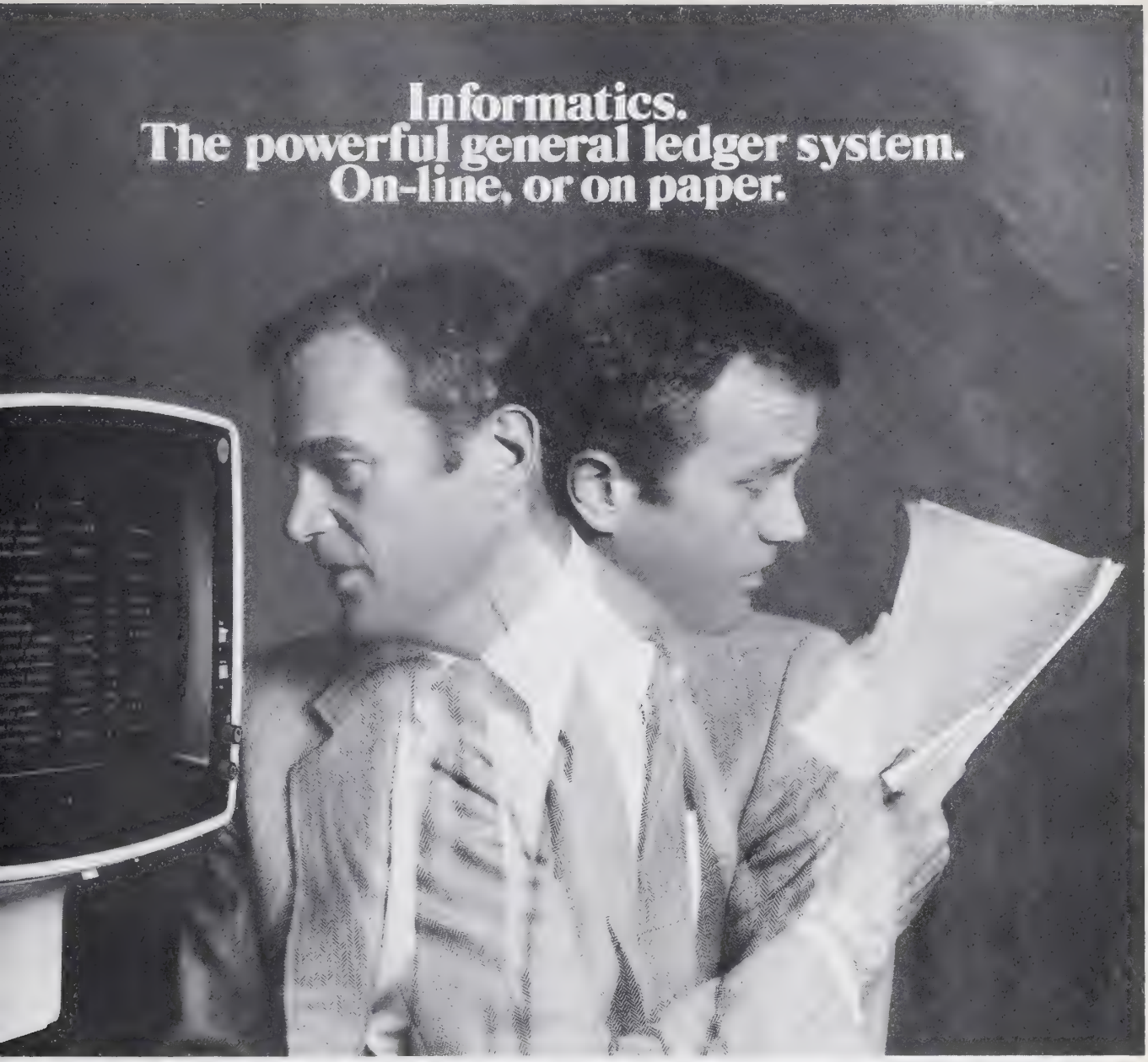
The point is, ROC has all the right elements for saving your company from any computer-oriented disaster. Whether it's caused by flood, fire, earthquake, tornado or sabotage. And since there's no expensive hardware to maintain, membership fees start as low as $1,000 per month.

What's more, ROC was designed and engineered by Data Processing Security, Inc. (DPS) – the leader in its field for over 10 years, serving over 500 major corporations throughout the world. With management consulting services in physical security, data security, contingency recovery planning and the design of new computer facilities.

If you want to find out more about how an empty room can keep your company from going bankrupt, call (817) 457-9400. Or write: Data Processing Security, Inc., 200 East Loop 820, Fort Worth, Texas 76112.

DPS Data Processing Security INCORPORATED

Regional Offices:
Atlanta Chicago Los Angeles New York



Now you don't have to make a choice.

You get the best batch system on the market.

And the best on-line system.

All-in-one.

The new Informatics General Ledger System.

You can be using it within 60 to 90 days from the time you start.

It features comprehensive on-line and/or batch entry.

Validation features minimize errors and improve turnaround dramatically.

On-line and batch inquiry provide fast access to financial reports, account balances and journal voucher details.

The system's chart of accounts, organizational structures and report definitions are automatically maintained.

It's controlled entirely by the accountant-user, who can accomplish remarkable tasks in a minimum of time.

And it offers an accountant-oriented report writer, to provide full flexibility and exceptional ease of use.

Plus profit planning and budgeting, cost allocation, statistical reporting, corporate consolidations and all types of "what if" analysis.

And the sub-ledgers, project reporting and the accounting control functions you and your auditors need.

Informatics General Ledger System is part of the product family that's consistently described by accountants, financial managers and data processing analysts as "easiest to use" and "most flexible" of all the systems available.

And since Informatics is the world's largest independent supplier of software products, you're assured of the size and stability to back you up—in the United States and around the world.

For other important facts about our General Ledger System, call Tom Roberg at (213) 887-9121. Or Telex: 69-8715.

Or just clip the coupon:

TO: Tom Roberg, Informatics Inc.
21050 Vanowen Street
Canoga Park, CA 91304

informatics inc ®

YES! ☐ Send me more facts about the General Ledger System.

Name_____ Title_____

Company_____

Address_____

City_____ State_____ Zip_____

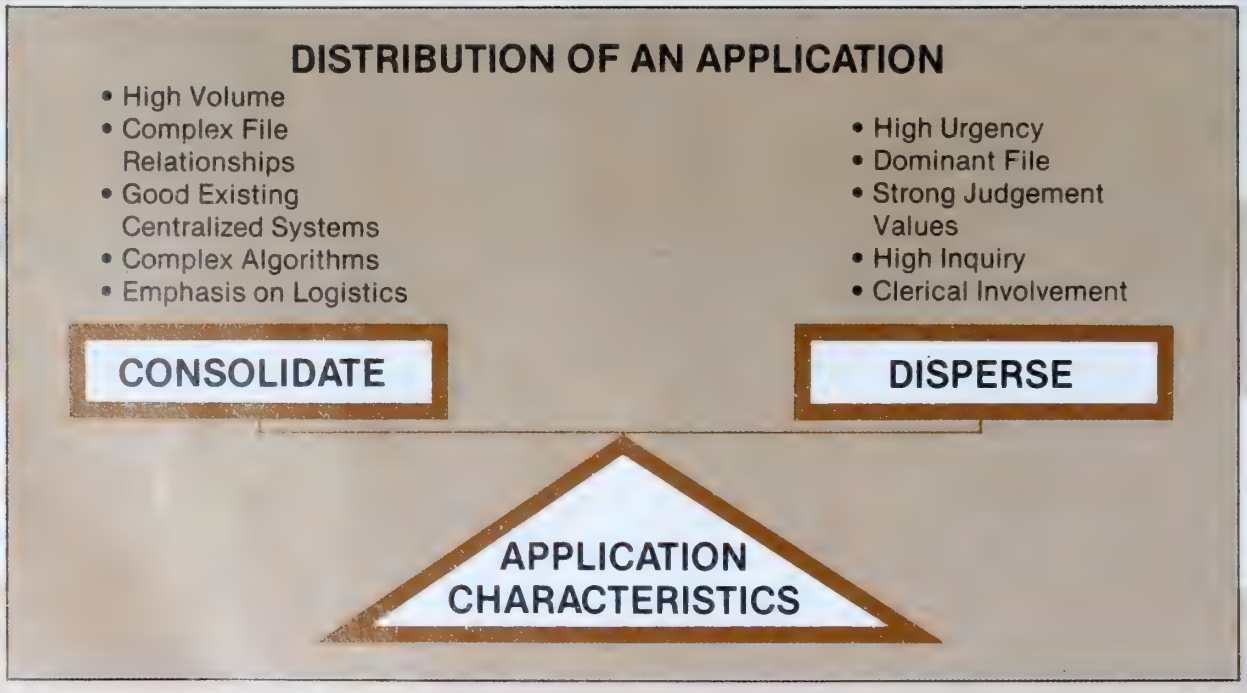
Phone (____) _____ CPU_____

Or call Informatics in these areas:
Chicago (312) 298-9300, Dallas (214) 750-0800,
Los Angeles (213) 887-9121, Manchester, N.H. (603) 627-2500,
New York (201) 488-2100, Raleigh (919) 872-7800. GL-FR-52680

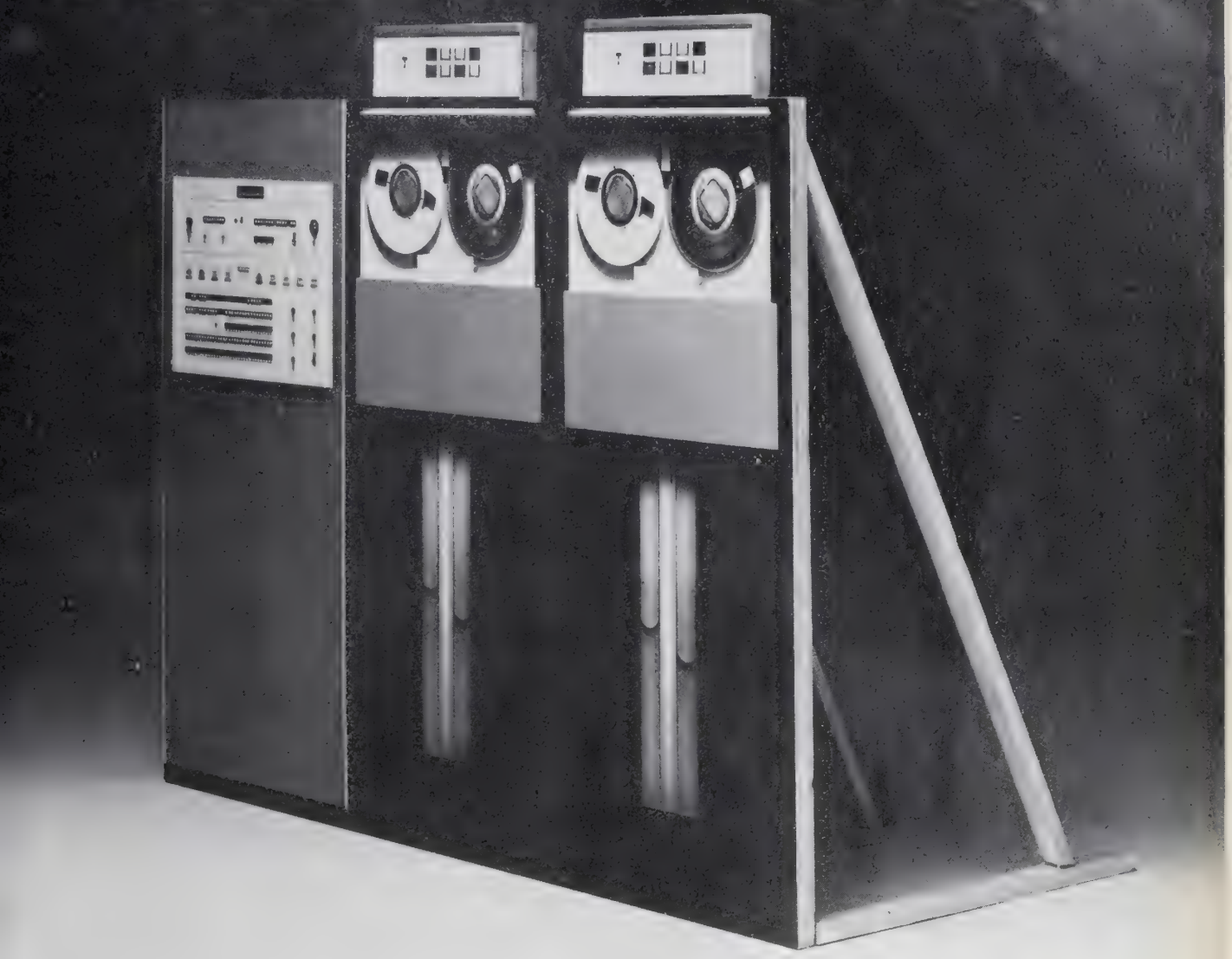
sons: greater productivity of all concerned, from clerks and factory workers to supervisors and managers; an enhanced sense of participation and responsibility; finer-tuned detail in reporting and thus greater overall understanding and control of operations; fewer errors in recording and transmitting data.

In many organizations, the jury (the task force, special committee) is still out on DIP. While only 2 percent of the respondents to two surveys represented themselves as "very unsuccessful" with DIP, 35 percent confessed no opinion, 45 percent said their experience was "adequate," and only 18 percent reported their DIP venture to be "very successful."

The researchers believe the newness of DIP rather than the concept is



IF YOU INSIST ON SHOWING OFF A COMPUTER, WE CAN OFFER YOU THIS.



A lot of people see a computer as a source of status, rather than a source of information.

Which is unfortunate, because it often leads them to buy one rather than look at other alternatives.

With Xerox Computer Services, it's possible to get all the information a big computer can supply, without the problems of owning one. Expensive problems like upgrading, downtime, extra personnel to handle programming, insurance, or a fireproof safe to store your records.

Xerox Computer Services has the nationwide communications network, business expertise, and integrated manufacturing, distribution, and accounting applications to handle the toughest jobs for you. Including everything from Master Scheduling, MRP, Inventory Control, and Production Control, to Cost Accounting, Order Processing, Payroll, Financials and Receivables.

To find out how the most complete on-line system available can help you, call us at (213) 390-3461 or send in this coupon.

Then you can see for yourself the difference between having your own computer. And having one work for you.

Xerox Computer Services
c/o Ron Rich, 5310 Beethoven St., LA., CA 90066
I insist on knowing all about Xerox Computer Services. Please send me more information.

Name/Title _____

Company _____

Address _____

City/State/Zip _____

Telephone _____

FOR 5-26

XEROX

XEROX® is a trademark of XEROX CORPORATION

the major obstacle to success. Indeed, lack of experience has the major reason respondents listed among DIP problems, followed closely by the complaint that DIP hardware and software were not fully mature.

Other problems: end-users were either too enthusiastic or too resistant; planners and systems managers did not communicate well; the information systems focus was too narrow for the best needs of the organization; contention over who was responsible for DIP systems operations; a feeling the DIP system was either insensitive to the business or actually threatened it.

Satisfied DIP users said they believed DIP actually simplified their operations and often reduced operating costs at the same time. Many cited the idea of "satisfaction" as a prime virtue of DIP: a feeling that all concerned were in better control of operations.

But the wave of the near future is implicit in the fact that more than half the respondents considered DIP planning to be part of setting their overall business strategy despite a varying perspective on just how long it will take for DIP to have a broad effect on their operations.

GO DIP, STAY PUT, OR HANG LOOSE?

From the foregoing and other examples, the feasibility of DIP lends itself to certain broad generalizations —but with the repeated caveat/cliche that every organization is unique in its mix of fine points and considerations, including personality factors.

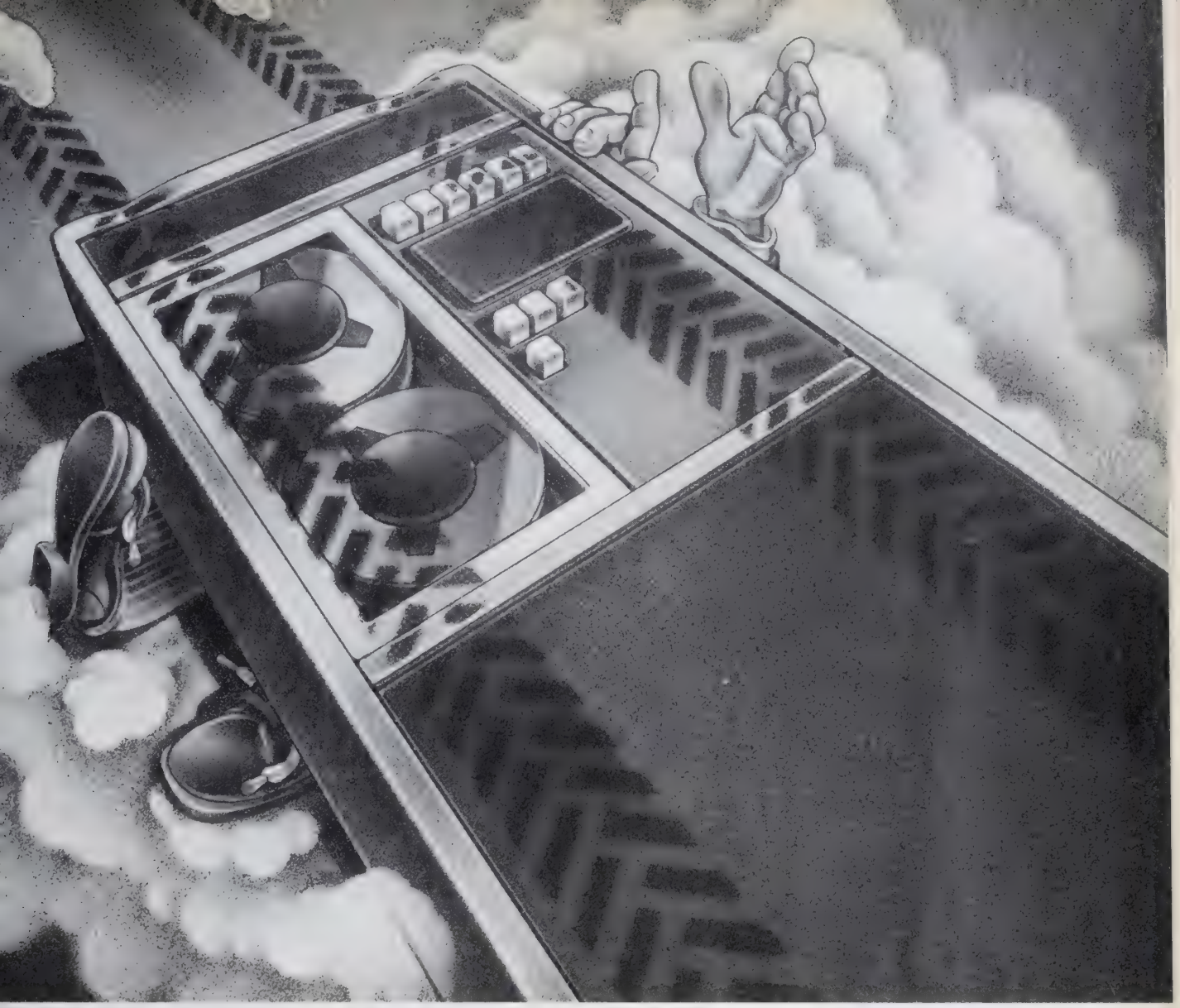
Some organizational characteristics, however, do suggest the DIP route to better management. These include: local autonomy, such as a division or operating company of a conglomerate; service emphasis, such as a financial institution wishing to bring information resources close to its customer base; stable structure, because it's difficult and expensive to reconfigure EDP systems to conform to volatile or ever-shifting organizational structures; diversified status, because the different units may have little in common with one another in terms of operations.

Other organizational characteristics would seem to indicate centralized EDP as preferential to DIP. These include heavily regulated organizations with substantial reporting requirements, such as a public utility; supplier-dependent organizations, such as raw material processors, that may want to channel all supplier relations through a single EDP location; problem-solving organizations, (such as engineering and architectural firms) that need large-computer power, and organizations dealing in highly similar products (like margarine and mayonnaise) to largely similar markets (like food retailers).

But still other organizational characteristics may dictate a wait-and-see/stay-loose policy. These include those organizations with changing customers, such as construction companies; those with mobile end-users, such as traveling salesmen; those with high volatility, such as specialty retailers; and those with limited capital for innovations, even those that might be desirable if the money was available.

Beyond organizational characteristics per se, the organization's own operational priorities may suggest a move to DIP. These include pinpointed local managerial and/or clerical accountability, such as in branch offices and stores; improved accuracy, which becomes more feasible when the end-user is directly in touch with the database, rather than submitting information to large centers and computer professionals; human productivity, where the employee can work better through access to DDP resources; customer satisfaction through faster organizational response to inquiries and complaints; and job enrichment through greater managerial/clerical/professional participation and involvement in the work of the organization.

Other operational priorities favor centralized EDP. These include technical control over operations, such as a public utility; focusing specialized expertise of various kinds of widely dispersed problems, such as a management consulting firm; optimizing machine and related storage productivity, such as a computer-service firm or indeed any organization placing a major value on optimized machine and related storage productivity; providing maximum physical security of information, such as government intelligence agencies and organizations with confidential product or service information; and providing day-to-day top-down information to senior management, such as any organization caught in a crisis



A FAST MOVING COMPANY CAN'T AFFORD TO WAIT FOR ITS COMPUTER TO CATCH UP.

So you've got to make sure the computer system you select day will be able to handle your data processing needs tomorrow.

The best way to make sure is to make the move to Data General ECLIPSE® Data Systems. They're a family of compatible teractive business systems with a very broad range of advanced atures and configurations. In short, there's an ECLIPSE Data ystem for just about every stage of a company's growth, whether is for stand alone applications or part of a distributed data rocessing network.

Compatibility means you select the ECLIPSE system that's ght for your company now, and grow in economical steps with-ut wasting investments. Programs you develop now can run on her ECLIPSE Data Systems in the family.

Start out with our entry level ECLIPSE C/150. Like every ember of the ECLIPSE family, it handles multiple interactive rminals, and offers a range of standard commercial program-ing languages.

Our C/350, mid-range ECLIPSE Data System, manages teractive processing, as it simultaneously schedules batch pro-essing for routine jobs or daily reports.

Our ECLIPSE M/600, mini-mainframe combines the workload pacity of a much larger mainframe with the economics of an teractive minicomputer.

You can't afford to wait. Start out with Data General now. Our computers are already keeping up with the growth of users like the Boeing Company, the General Electric Company, Eastman Kodak Company, and thousands of others all over the world. Write or call, or send in the coupon.

The Computer of the U.S. Olympic Sports Medicine Committee

☐ I can't afford to wait. Send full information on ECLIPSE Data Systems.

Name _____ Title _____

Company _____ Tel. No. _____

Address _____

City _____ State _____ Zip Code _____

Mail To: Data General Corporation, Westboro, MA 01581

Data General Corporation, Westboro, MA 01581, (617) 366-8911. Data General (Canada) Ltd., Ontario, Canada. Data General Europe, 61 rue de Courcelles, Paris, France, 766.51.78. Data General Australia, (03) 89-0633. © Data General Corporation, 1979. ECLIPSE is a registered trademark of Data General Corporation. F526

VISIT US AT BOOTH #1339 AT NCC, ANAHEIM, CA., MAY 19-22, 1980

Data General

ECLIPSE Systems for Busin

INTRODUCING THE SAVIN 870

IF XEROX HAD A COPIER LIKE THIS, WE'D BE A LITTLE WORRIED.

Copier technology this advanced has consistently made Savin the one to catch up with.

And that's not a trend we're ready to reverse.

The Savin 870. A virtually all electronic Savin. With an electronic digital control panel, and a Copy Memory, both controlled by Savin's first built-in microprocessor.

Electronic self-diagnostic display for improved serviceability.

Electronic selection of letter, legal, even computer readout size paper. From two newly designed 300-sheet trays.

Electronic brain to make superior copies from inferior originals.

Copying speed: 30 a minute.

First copy time: an amazing 4.3 seconds.

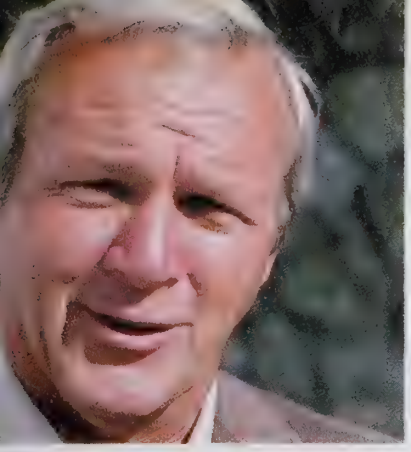
What's not electronic is still ahead of its time. All virtual Savin trademarks. Short paper path and liquid toner technology, for incredible reliability. Automatic shut-off to save energy.

If you'd like a copier like this, call 914-769-8805, Monday through Friday, 9:00 am to 5:00 pm.

savin

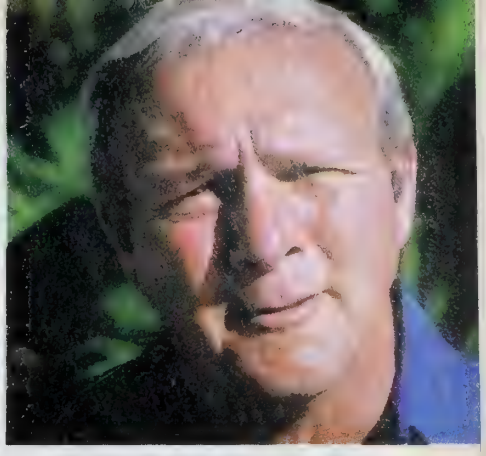
The revolutionary copiers that are winning over big business.

*Savin and Savin logotype are registered trademarks of Savin Corporation. *Xerox is a registered trademark of Xerox Corporation. © 1980 Savin Corporation, Valhalla, N.Y. 10595.



"Does work pile up at the office when you're traveling?"

"Do you forget good ideas from one day to the next?"



"Do you scribble notes that nobody can read?"

Stop playing catch-up and start getting ahead with Lanier's Vest Pocket Secretary.®"

—Arnold Palmer

When you're traveling, Lanier's Vest Pocket Secretary travels with you. Letters, memos, reports and instructions for your secretary get done on the plane, in the car, in a hotel room. So work doesn't stop when you're on the go.

To remember ideas, the Vest Pocket Secretary is perfect. Small enough to fit in the palm of your hand, it works with one button. You can get ideas down as fast as you get them.

When you need to take notes, the Vest Pocket Secretary is faster and easier than writing things down. Clearer, too. You don't have to figure out what your notes mean. Your secretary doesn't have to read your handwriting.

Start getting ahead of paperwork right now. Mail in the postpaid card. Or call Jennifer Scott toll-free at **(800) 241-1706**. In Georgia, call **(404) 321-1244**, collect.

I want to get ahead of paperwork.

142FEO

Name _____ Title _____

Company _____ Phone _____

Business Address _____

City _____ State _____ Zip _____

Mail to: Lanier Business Products, Inc.
1700 Chantilly Drive N.E., Atlanta, Ga. 30324

LANIER®

LANIER BUSINESS PRODUCTS INC

Get a lot more done in a lot less time.

International offices in: Australia • Belgium • Canada • Denmark England • Finland • France • Germany • Mexico • Netherlands New Zealand • Norway • South Africa • Spain • Sweden • Switzerland

situation that may be internally or externally generated and that may call into play any or several activities, from operations to public relations.

A third DIP criterion is the characteristics of the applications the organization deals with in the course of its work. These include applications with a high level of urgency, such as an emergency medical system and law enforcement activities; where there is a single dominant file, such as a customer file in an insurance agency or in a regional government office serving a given area, where little information is needed from other sources; where strong human judgment values must be applied to process a transaction, such as in credit appraisal requiring the user to understand local conditions as well as the individual circumstances where a large number of inquiries are involved, such as in customer service; and where there is a high cost of clerical involvement

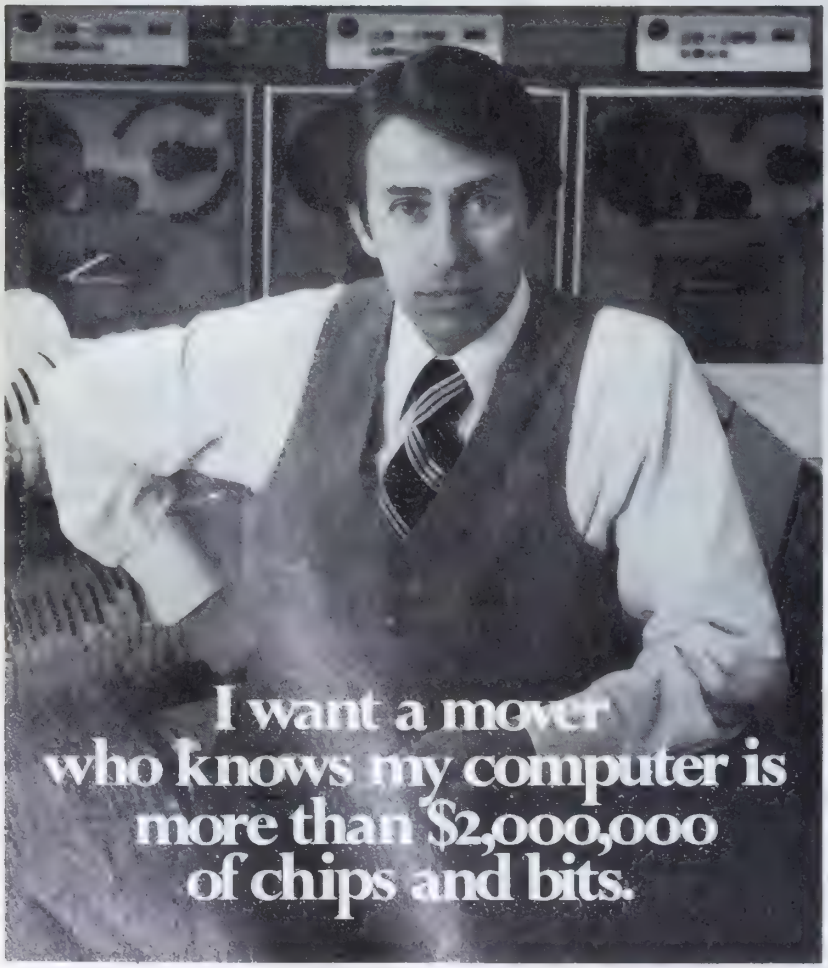
Application characteristics favoring a centralized EDP approach include high volume transactions that need the power and economy of large-scale machine processing, such as magazine subscription fulfillment; that have complex file interrelationships where the ingredients originate from or relate to many internal and external sources, such as factory master scheduling; that involve complex math, such as matrix inversions; and that coordinate information from many geographical sources, such as physical distribution.

CONCLUSION

This newly-found freedom to mix, match, and deploy both human and electronic resources to heighten organizational effectiveness may well serve as a simple definition for DIP.

As such it amounts to the power and commensurate challenge to utilize computer technologies that are already far ahead of management's present understanding of their potential.

Still in the wings are even more revolutionary waves of the information age, the electronic office/plant and the integrated office/plant/home —both already technologically feasible and in the offing for the 1980s and 1990s respectively. ▪



Mayflower does. We realize that your sales and profits are at stake. So your equipment needs to get there on time. Intact That's why we developed an entire fleet of long-distance vans designed for delicate electronic equipment.

Behind the wheel of every Mayflower electronics van is a man who's had an extended education in the special handling i takes to move everything from computers to electron microscopes.

And behind the man and the van is an assigned traffic team to keep the shipment on schedule from beginning to end. We keep in touch with your van operator, the origin agent, the destination agent and you. Every step of the way.

The Mayflower Electronic and Trade Show division means special equipment and specially trained people. Because we know your computer is a lot more than chips and bits. That's why Mayflower means moving.

For more information about Mayflower's Electronics and High Value moves write Mayflower Corporation, Dept. F, P.O. Box 107 B, Indianapolis, IN 46206.

OFFICE WORKHORSE.

Most word processors can double the productivity of office typists. But Lexitron word processors do even more. They maintain files. Talk to large computers. Replace teleprinters. Control typesetters. Communicate around the world. And set new performance standards for office products. They can be mastered with a few hours of training, to form the basis of your organization's move into the high-productivity office of tomorrow. Call your local Lexitron representative, or send us the coupon.

Tell me more about Lexitron's high-performance word processors.

Name

Title

Co.

Street

City

State

Zip

Another Raytheon Intelligent Associate Product.

Lexitron

Lexitron Corporation
9600 DeSoto Avenue
Chatsworth, CA 91311
(213) 882-5040

A Raytheon Company

WHERE MODERN WP BEGAN. WHERE MODERN WP IS GOING.

HARRIS technology on the job

HARRIS 1680 distributed data processing system at General Foods

In information systems, Harris Corporation produces data processing terminals, general-purpose computers, word processing systems and supervisory control systems.

Multi-function distributed data processing systems from Harris Corporation provide remote access to central computers *plus* on-site computing power, helping business and government handle growing data processing workloads.

HARRIS technology works worldwide—in communication equipment, information systems, government systems, semiconductors and printing equipment. For information, write: Harris Corporation, Melbourne, Florida 32919.

HARRIS

COMMUNICATION AND INFORMATION PROCESSING

flame of revolution seems to be guttering in Portugal. It may be aced by the beginnings of a free enterprise economic miracle.

Right turn in Portugal

By Lawrence Minard

SEEMED LIKE a strange question to asked from such a source. But ere was Lieutenant Colonel Vitor Alves, a power in the Forces Movement that overthrew Portugal's 48-year ving dictatorship back in April of 1974, asking, "With-evolution, who needs a Council of the Revolution?" Who ? The council has been reduced, in essence, to a symbol. himself a council member, believes the council will be ded altogether within the year.

period when the Free World has been buffeted by bad -Iran in chaos, Afghanistan conquered by the Red Army entral America seemingly sinking into Cuban-inspired arianism—the Portuguese revolution has run out of and the little western European nation seems safely n the democratic camp. In the mid-Seventies, after the of Portugal's autocratic but relatively benign dictator, io de Oliveira Salazar, and the collapse of Portuguese nce in the African colonies, Portugal seemed headed ably into a Marxist-type dictatorship. The turn came on Nov. 25, 1975, when moderate military officers led by Portugal's current president, General António Ramahlo Eanes (pronounced YAWN-esh), wrested control of the country, its savaged economy and its crowded political prisons away from silvery-haired General Otelo Saraiva de Carvalho and his far-left COPCON. Since then, Portugal's 10 million citizens, weary of politics, have been voting for increasingly right-leaning governments.

The sharpest right turn came in last December's general election, won by a tough civilian lawyer named Francisco de Sá Carneiro and the Alianca Democratica, the center-right coalition he heads. The AD won 52% of the vote, *vs.* 26% for Mario Soares' Socialists and 17% for Alvaro Cunhal's Communists. The AD won a critical 6-seat majority in the 250-seat parliament.

Although Sá Carneiro, now prime minister, must submit himself and his coalition to the voters again in October, he has lost no time in pushing the country rightward. His strategy is akin to Margaret Thatcher's: Polarize the extremes between

al's Republican National Guardsmen celebrating the revolution's sixth anniversary
of their troops have been in the south, retaking farmland from revolutionary peasants.

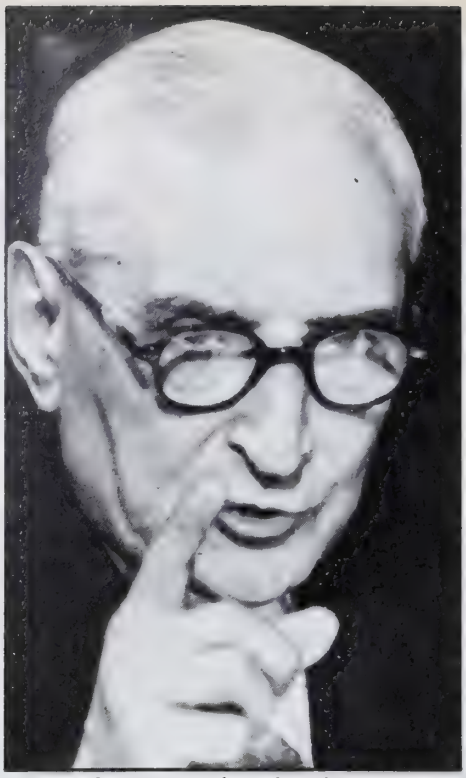
the Alianca Democratica on the right and the Portuguese Communist Party on the left and grab the middle ground, where most people's sympathies really lie. Sá Carneiro, a shrewd politician, obviously believes that given a clear choice, Portuguese voters will prefer stability and long-term economic growth to the political chaos and illusory handouts they got from the left. So far, he is correct.

In just four months, Sá Carneiro has already:

- Dispatched paramilitary Republican National Guard troops into the southern Alentejo region to speed the return to its owners of farmland illegally seized by Communist-led peasants in 1975. Of the 2.5 million acres seized (nearly one-third of Portugal's farmland), some 625,000 acres have been retaken since 1977. Sá Carneiro has promised to reclaim and redistribute 625,000 acres more—using force if necessary—in an effort to build a prosperous rural middle class.
- Imposed an unofficial but effective 20% ceiling on wage hikes despite a going inflation rate of 25%. This kind of frugality might sound heartless in an already poor country, but the alternative would be runaway inflation, the kind that would soon make the wage gains illusory anyhow.
- Pushed through parliament an anti-inflationary 1980-81 budget that promises to cut Portugal's budget deficit by 8%, after inflation, to $2.8 billion (11.6% of the country's gross domestic product, *vs.* 12.2% last year). Allowing for inflation, Sá Carneiro's entire $7.5 billion budget is just 1% or so larger than last year's budget, with big cuts in such politically sensitive areas as subsidies to troubled state-run companies and spending on welfare and hospitals (but *not* defense spending).
- Pushed through legislation—twice approved by parliament but twice vetoed, as unconstitutional, by the now-weakened Council of the Revolution—that would open up Portugal's nationalized banking and insurance industries to private enterprise. Frustrated by the vetoes, Sá Carneiro promises that if his coalition is reelected in October he will amend Portugal's constitutional proscriptions against private enterprise and against firing workers.
- Been the first Western leader to recall his ambassador from Afghanistan to protest the Soviet invasion and, late last month, was again the first (and only) leader fully to back President Carter's Iranian trade sanctions. That may have cost Portugal some 20% of its annual 9 million tons of oil imports.

"You don't have to be here very long," says General Motors de Portugal General Manager William Werner, "before you realize that the Portuguese revolution is now a part of Portuguese history."

Sá Carneiro is moving to the right so fast largely because he has to. Bereft of oil- and raw material-rich African colonies, Angola and Mozambique in particular, and with the left in charge, Portugal's economy actually *shrank* by around 5% in 1974 and 1975. The IMF and international banks bailed out the country, and the economy began growing again, but by only 2% or 3% a year. In economic terms, the typical Portuguese wage earner has actually lost ground since the revolution. In the period 1972 to 1977, Portu-



Former dictator António de Salazar
He hated communists, hoarded gold.

gal was the only European country w wage increases have lagged pric creases, and the situation today is much different. Why is the elect swallowing all this? Because, having ed instability and Marxist bureauc most Portuguese have chosen to temporary sacrifices to preserve dom. If that sounds impossibly ideal remember this: There was nothing tle about the taste of Marxism—an Portuguese are a peaceful lot. The p seems to have chosen among evil opted for what it clearly regards a lesser one.

Portugal is a poor land. Drive th the countryside and you still fin colorful *lavadeira* washing their cl in the village streams. Go for a sw the seaside resort town of Sesimbra see the town's raw sewage empty d ly into the bathing waters whitewashed-and-tiled Lisbon, still ly though somewhat rundown sinc revolution, shoeshine men and be abound. At $1,900 last year, Port per capita income was less than hal of Spain and only slightly ahead of key's. Only 1 Portuguese in 10 ow automobile, only 1 in 15 a televisio Portugal's infant mortality rate is a the world's very highest.

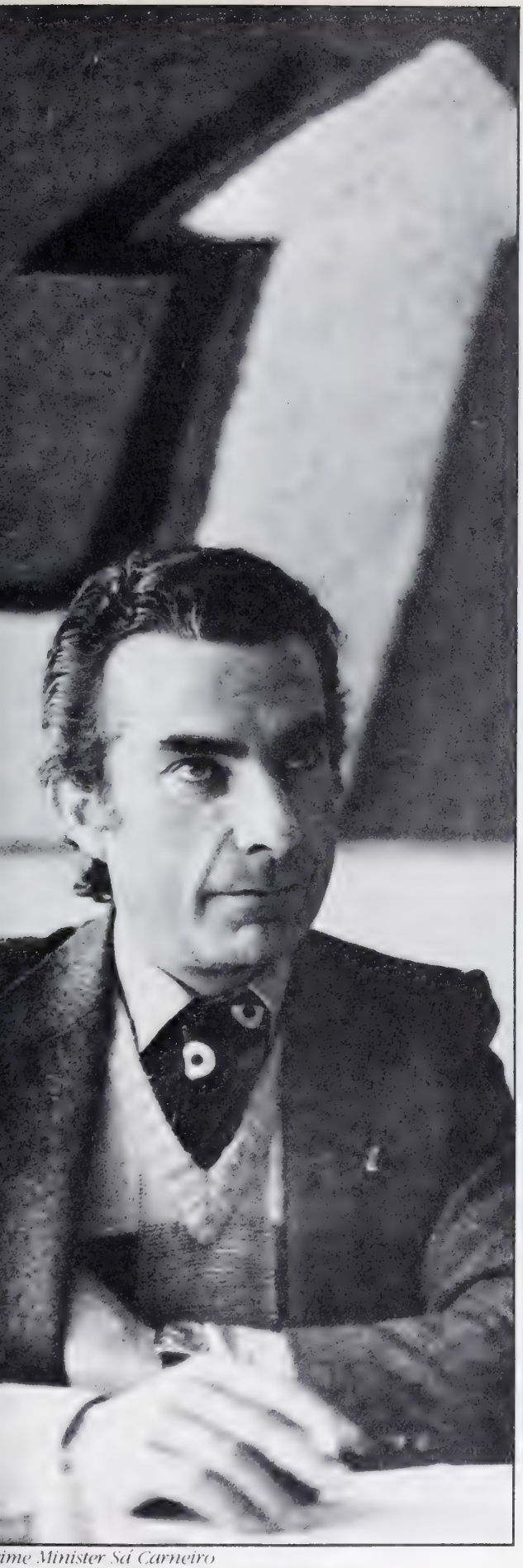
Under former dictators António de Salazar and Ma Caetano, Portugal never really industrialized. Instead, ported surplus labor to the colonies and as guest workers more prosperous parts of Europe. As a result, over 30% country's 4.2 million workers work in agriculture, fishi forestry, a high proportion even as compared with Ire 22% and Spain's 20%. But the 25% of the Portuguese wo employed in agriculture alone account for just 13% country's output. Hence Sá Carneiro's tough stand again unproductive peasant communes in the Alentejo, whic sorb labor but do little for productivity.

Reducing Portugal's agrarian population to the Spanish would mean taking some 400,000 farmers off the lan despite laws forbidding the firing of workers and a sw bureaucracy that costs each Portuguese man, woman and $200 per year, unemployment already stands at 350,0 where are the displaced farmers to go?

The hope is export-oriented foreign industrial invest which explains in good part the shift to the right an people's acceptance of it; who wouldn't want to trade a p laborer's subsistence living for a relatively well-paid f job? "What we want to encourage," says Dr. Alexandr Pinto, the cosmopolitan chairm Portugal's newly created Institute eign Investment, "is low-capital- sive investments. With high unem ment and one-quarter of our worke in agriculture, we don't need the h possible technology programs." Va to says Portugal last year receive million in foreign investment—p compared with Spain's $1 billio but more than double Portugal's t 1978. Vaz Pinto predicts that the will double again this year.

There are also signs that Portuga nished image has begun to brighte year remittances from Portugal's 3. lion expatriates, most of whom hel

Far-left General Otelo de Carvalho
He ruined the economy.



ime Minister Sá Carneiro
e get a president he can work with?

their money following the revolution, were $2.2 billion, up 50% on their 1978 level. Tourism receipts also hit a record last year, $700 million. Thanks to expatriates and tourists, Portugal was able to pay her $1.3 billion oil bill and still finish 1979 with $150 million surplus in the current account, *vs.* a $1.5 billion deficit in 1977. Unfortunately, OPEC has struck again and one government official predicts a $1.2 billion deficit this year, mainly because Portugal's oil bill will double and remittances will recede.

Foreign investment is beginning to trickle in. The world's automakers are especially interested in Portugal because the average automotive wage is just $2.60 an hour, *vs.* about $5 in Spain and Ireland. Earlier this year France's Regie Renault announced it will soon spend $600 million to boost its R4, R5 and R12 model production in Portugal from 10,000 cars a year now to 80,000 by 1987. General Motors, which now produces some 16,000 cars and vans a year in Portugal, is believed near to investing $40 million more. Most important by far, Ford Motor will soon decide whether to put $1.2 billion in a massive plant south of Lisbon that would employ 12,000 workers directly—around 3% of Portugal's unemployed—and another 10,000 or so indirectly.

"Why did Sá Carneiro risk 20% of our oil supplies to side with Carter against Iran?" asked a Lisbon businessman. "Because Sá Carneiro wants that Ford plant."

So, growth prospects are good if only because the country is starting from such a low level. One American economist living in Lisbon told FORBES he expects to see 10% real annual growth rates soon, which would put Portugal in the top growth category among national economies. "There is assured access to European markets through the Common Market [which Portugal is scheduled to join in 1983]. The Portuguese wage structure relative to Europe is very favorable. There is good access to financing through the Euromarkets. They've got the right location here in the sunny south. And they've got good, diligent workers. With the right [political] policies, you could well see an explosive industrial takeoff."

But will Prime Minister Sá Carneiro last long enough to deliver those "right policies"? Sá Carneiro has made it clear that he cannot work with Portugal's moderately leftist president, General Eanes, and has told the country that if Eanes is reelected in December's presidential election then he, Sá Carneiro, will resign. No one knows what all this posturing will really mean. Said one Lisbon-based diplomat: "If Sá Carneiro resigns as he has threatened, you could have a governmental crisis. But I personally think it's just campaign rhetoric on Sá Carneiro's part. . . . I don't think he'd give up power so easily."

Any chance of a left-wing coup? Almost none. Sá Carneiro has gone out of his way to keep the military happy and in the barracks. Sá Carneiro's anti-inflationary budget increased defense spending by 4% in real terms, to around $700 million—about what the armed forces received at the height of Portugal's colonial wars. He has chosen a popular rightist general, António Suares Carneiro (no relation to the prime minister), as the AD coalition's presidential candidate.

On the Avenida da Liberdade you can still see the mass rallies with red banners and hear bullhorn oratory blaring against Sá Carneiro's wage ceilings, his rough handling of the Alentejo peasant farmers, or his blatantly pro-America foreign policy. But then the next day you read that the Portuguese Communist Party's 1.5 million-member Intersindical trade union group has canceled or is calling off another strike.

"We Portuguese like to talk a lot about everything, but the talk rarely leads to action," explains António Pina, a General Motors de Portugal executive who was jailed, without charge, for ten months when Otelo de Carvalho was running the country. "When I was in prison, my cellmates would say, 'When I get out I'm gonna kill that bastard so-and-so.' But we got out, and there was no revenge.

"You know, in Portuguese bullfights we never kill the bull." ■

Oilman, baseball owner and radio folk hero, Western Co. of North America's Eddie Chiles has the world in his hands.

When you're hot you're hot

By John Merwin

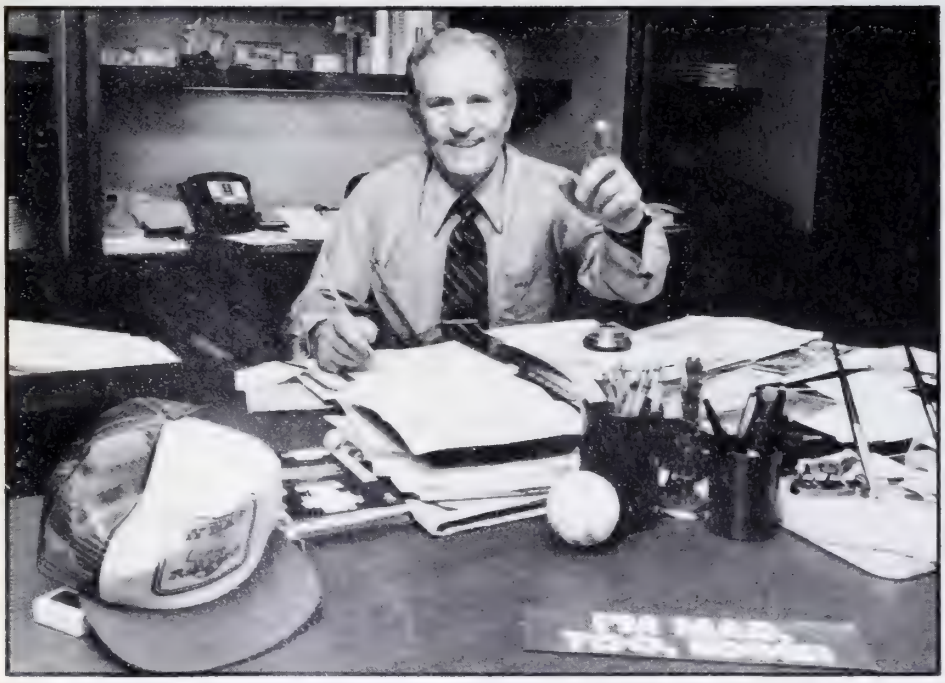
WHILE TALKING ABOUT the drilling business, The Western Co. of North America Chairman Eddie Chiles eyes a team-autographed major league baseball. The ball came with the Texas Rangers, which Chiles bought last month. Slowly turning the ball in his hand, Chiles studies the players' signatures, then spins the ball on his desk and muses aloud. "I wonder if the players really do autograph these balls?" he asks.

We'll get back to that question later, but if Chiles can spare several million dollars to buy controlling interest in a major league baseball team, things have got to be pretty good in the oil patch.

Indeed they are. Chiles' Ft. Worth-based drilling and well-service company has been hotter lately than a drill bit turning at 10,000 feet. On Wall Street they may talk about far larger offshore drillers, like SEDCO, or about giant well-service companies such as Halliburton, but few can match scrappy Western Co.'s growth. First-quarter revenues ($91 million) were up 66%, and earnings ($10 million) shot up 270%.

A former roustabout, Chiles 50 years ago hitchhiked his way out of the Texas oilfields to Oklahoma University, where he earned a degree in petroleum engineering. In 1939 he founded Western Co. with two oil-well service trucks. Today his company owns thousands of trucks and several hundred million dollars' worth of offshore rigs. At 70, Chiles finds himself at life's best intersection: the right time—the Eighties; and the right place—the oil business.

Western's businesses—oil-well cementing, fracturing, acidizing and off-



Western Co. Chairman Eddie Chiles
The oil-drilling business is so good he's got time for baseball.

shore drilling—are generating sc mighty impressive numbers. Sales Western hit $275 million last year, return on equity at the highly levera firm topped 20%. During this year's w ter quarter, traditionally the slowest p od in the oil business, Western ne more than it earned in an entire year years ago. For the remaining three qu ters of 1980, Chiles forecasts more of same as revenues head toward $400 m lion and earnings per share toward $3.50 mark.

More than half of Western's pr stem from the oil-well service busin which isn't very sexy but is remark profitable. Western sells three service oilmen: cementing, which bonds well pipe to the side of the hole; frac ing, using pressured fluids to force o the bedrock; and acidizing, which et channels through the rock so oil and can flow freely.

It's not hard to see why Western's services have taken off. Two years ag Texas, for instance, oil drew about $ barrel. Today much of it sells for $3 $40 a barrel, which has sent drillers s rying back into the fields to punch viously marginal prospects. In the 3½ months of 1980 nearly 5,900 w were drilled in Texas, heart of Weste territory. That's 30% more than in same period last year.

Many of these wells wind up b producers, and every one needs cem ing, fracturing and acidizing. Th money in the bank for Western or ri such as Halliburton. What's m there's a booming secondary marke fracturing and acidizing existing w Inspired by higher prices, thousand old wells are being reworked to draw remaining oil and gas. There's also other sure sign of a boom: Drilling tractor Smith International reports deep-well footage drilled in Arkan Louisiana and Texas increased r than 43% in 1979. These deep wells up very high cementing, fracturing acidizing bills, which means higher ume and fatter margins for Western.

The other half of Western's busi offshore drilling, sprang out of now to become a star performer. Five y ago it netted less than $200,000. year the offshore subsidiary might $14 million. The fact is, anybody li enough to own offshore drilling rig day is enjoying the bonanza, inclu Western, which owns 11 rigs and h others now under construction. Hi oil and gas prices in the U.S., plus fa able Conservative Party policies in ain, are encouraging drilling boom the Gulf of Mexico and in the Br North Sea, two areas that now acc for about half of all the offshore dri activity worldwide.

The numbers in the offshore dri business are sensational. New cont

Shhhhhhhh. It's TWA's new First Class Sleeper-Seat.[sm]

Tilt back and enjoy more legroom than ever before on our 747's.

TWA now offers Sleeper-Seats to more European cities than any other airline.

Close your eyes. Imagine the ideal seat for a long journey. It should be big and comfortable, of course. But if you're going to spend as much as eleven hours in it, you'll want more than that. After all, that's a long time to be sitting in one position.

Wouldn't it be nice if you could lean back and stretch out a little? Or lean back and stretch out a lot?

You can, if you're flying First Class across the Atlantic on TWA.

A whole new class of comfort.

TWA introduces our new Sleeper-Seats on all 747's and 747SP's. And they're available at no extra charge in our main First Class cabin and our upstairs lounge. Now your overseas flight can be more relaxing than ever. You can even sleep through it if you want.

Just lean back...and back.

Our new Sleeper-Seat stretches out when you do, so you can lie comfortably in it. And there's a footrest to support your legs. With more room between seats, you'll have more room to work. But if you're too tired for that, you can just lean back, close your eyes, and wake up at your destination refreshed after a good flight's sleep.

TWA's new Sleeper-Seat. It's a good thing you're not in one now. You might have dozed off before you finished reading about it.

You're going to like us

TWA

EXECUTIVE PRIVILEGE

You find it in the club-like atmosphere at The Sheraton Towers atop New York's Sheraton Centre. Private check-in at The Towers Club on the 46th floor, reached by express elevator. Elegant rooms and suites for the executive lifestyle, with extras like thick terry robes, electric blankets and 24-hour room service. Complimentary continental breakfast, served by a butler, at the exclusive Towers Club. Ask your travel agent, or call for reservations (800) 325-3535 or (212) 581-1000.

The Sheraton Towers

AT THE SHERATON CENTRE, 7TH AVE. AT 52ND ST., NEW YORK

COLORADO VACATION

Plan now for a vacation this summer at a fine resort high in the Colorado mountains with thousands of acres of spectacular mountains, streams, and lakes overlooking Rocky Mountain National Park. Lane Guest Ranch offers: horseback riding on mountain trails, heated swimming pool, therapeutic pool, guided fishing trips, guided auto trip over the Continental Divide with lunch on our boat on one of Colorado's most beautiful lakes, lunch rides, packtrips, childrens' counselors, classic comedy films, backcountry jeep trips, campfires, steak cookouts, bar, entertainment every evening, and excellent meals. Our deluxe units are carpeted, and most have patios or hammocks located in areas of pine, aspen, moss rock, and wild flowers. Package Plan includes 7 nights accommodations, daily breakfast and dinner, and all of the above activities $392 per person (children under 12 $294, under 4 free). Limousine service to Denver Airport $38 per family per trip. Season June 1 to September 1. Our 27th year. **Write Lloyd Lane, Box 1766F, Estes Park, Colorado 80517 for brochure. Telephone: (303) 747-2493.**

EXPLORATION

Brock

CORPORATION

PROFESSIONAL PETROLEUM EXPLORATION

NEW ORLEANS, LA

MAIN OFFICE
231 CARONDELET ST./5TH FLOOR
NEW ORLEANS, LOUISIANA 70130

OKLAHOMA CITY, OK

for jack-up rigs, which drill in sh Gulf waters, range up to $33,000 a compared to only $15,000 to $20,00 year. The break-even point on a t year-old jack-up rig, for instance, is about $22,000 a day; every dollar a that is pure pretax gravy. The sa true for Western's four semisubme rigs, which drill in deeper Gulf wat in the North Sea. About a year ago, submersibles drew only $20,000 a d the North Sea, but today a new co goes for $55,000 a day.

Can the bonanza last? Offshore dr has become so attractive that comp are buying new drilling rigs right an In an otherwise flawless outloo Western, this is the one potential tr spot. Offshore oil analyst Terry Sm Howard, Weil, Labouisse, Friedrich of New Orleans notes that 101 ne shore jack-up rigs will come out shipyards this year and next, joinin present worldwide fleet of 234. C who says he's worried about an off surplus, isn't ordering any more rig while. But he isn't worried about o drilling prospects. Chiles says the 31% more seismic crews blasting

The numbers in the offs drilling business are se tional. New contracts for j up rigs which drill in sha Gulf waters range up $33,000 a day. The break- point is about $22,000 a d

at future drill sites than were in th last spring.

Owning Western Co. stock $160 million, Eddie Chiles and his f have become wealthy. But his cla fame in Middle America isn't t business, nor is it the more visible ball team; it is a series of radio co cials that have made Chiles someth a regional folk hero.

Nominally the radio commercia Western Co. advertisements, but m their air time is really dedicat Chiles' conservative blasts at "tho erals in Congress." The comme broadcast in 14 states, begin w announcer asking, "What are you about today, Eddie?"—an openin has inspired tens of thousands of C dedicated listeners to attach re white "I'm Mad, Too, Eddie!" b stickers to their cars.

What about those baseballs? Chiles advises several days afte FORBES interview, "I found out th ballplayers really do sign them. I some brand-new ones right here." small leather orb or an earth-size s any way you cut it right now, Ft. W Eddie Chiles seems to have the w his mitt. ■

ching a company from the brink of the e, this man turns it into a strong, living ness. Dr. Frankenstein? No, Marvin Green ate of The Bronx.

Ghoul's gold

The Up-And-Comers

Green Jr. of Reeves Communications
uld have to be the stupidest kids on our block if we blow this one!"

U LOOK AT our numbers, it's real-ot hard to see that we would have e the stupidest kids on our block ow this one," says Marvin Green gregarious, young (45) chairman illion-sales Reeves Communica-n independent producer of televi-grams.

to mock those words, a nearly rable fog is quietly erasing the m Green's 27th-floor corner of-midtown Manhattan. Trying to golden opportunity in Reeves' l statements is a bit like trying to amiliar skyscraper a few blocks hrough that shimmering mist. d a little time to find it.

ost of the standard yardsticks, performance looks positively : Return on equity was close to 58% last year and earnings have been growing at 77% a year. But one quick glance through the footnotes to Reeves' annual report and that glittering record instantly turns to tinsel. Reeves' equity was shrunk to a small fraction of its pre-1976 size in a reverse merger with far smaller, privately held Visualscope. So return-on-equity calculations are virtually meaningless. By the same token, if earnings growth is measured from tiny Visualscope's pre-1976 earnings, then about 90% of that growth is a sort of acquired earnings. And if earnings growth is measured from the red ink of predecessor Reeves Teletape, then of course you run into the old arithmetic trap of exaggerated percentages when using zero as a base for rate-of-increase calculations. Two pennies of earnings after a one-penny profit is a 100% gain after all. Now add in the fact that Reeves' tax-loss carryforward has run out and the fact that the company's debt is 180% of 1979 book value and the picture begins to look downright worrying.

You've looked twice. Now look a third time. Reeves will show enormous gains in sales and earnings this year, and quite possibly for some years to come.

Now if that seems confusing, don't feel bad. It has seemed confusing to the Securities & Exchange Commission also.

"At one point there I got very friendly with the SEC because they were having difficulty understanding what we were doing," Green recalls cheerfully. "It looked like we were paying taxes but we weren't. We were providing for taxes, not paying them, because of a tax-loss carryforward, and reducing fixed assets instead. The more money we'd make, the more our net worth kept going *down* because we were writing off assets as we were making money. And because that lowered depreciation charges, our profits went up still further. I mean, here we were making all this money and, gee, we were just going down the tubes on the balance sheet! I kidded them, 'You know, if I make enough money I will practically be able to show negative net worth!' It took us a long time before we all understood it!"

What was so confusing about the Visualscope/Reeves Teletape merger of 1976 wasn't just that a minnow was swallowing a trout—and renaming itself "trout." What was confusing was that the old trout in effect died in the process and was reborn as a tiny baby trout.

Green says he certainly wouldn't have spotted the opportunity if the IRS hadn't started making noises about "undistributed earnings" at Visualscope. The sharp-eyed IRS sleuths felt sure the little, privately held audiovisual consulting firm was earning far more than it needed to retain for operating purposes and should pay out some dividends so Uncle Sam could share in the good fortune.

Green, who started out selling greeting cards in the Bronx for $3,800 a year after flunking out of Bowdoin College, knows how to turn problems into opportunities. He had struck it rich at Visualscope by parlaying a minuscule salesman's flip-chart producer into a hot consulting firm that found showcase television specials *(Upstairs, Downstairs; I, Claudius; American Civilization)* for superblue-chip corporate sponsors (Mobil, Xerox, Travelers). But Green felt Visualscope had about reached the limits of its growth and those IRS agents were looking over his shoulder. "We all knew that probably we had to start looking for an acquisition," says Green. "I mean hopefully you have a better use for your money than paying 70% of it to the government."

A near-bankrupt company called

Reeves Teletape caught his eye. "Everything we knew about this business said that the videotape business had to just grow like crazy over the next 15 years," he says. "The cost of film keeps going up; today tape production costs about half of what film production does. The equipment was obviously going to get smaller and more mobile—at that time you still had monstrous pieces of equipment. And whereas film is very labor-intensive, videotape is computerized. If I'm going to hire a film editor to do a TV commercial he's going to charge me $2,000 and work a week, two weeks to get it done. With videotape we can probably do what that guy can do in an *hour*."

So how come Reeves had been losing money hand over fist? Well, the technical revolution was only just dawning. "The business was run by technical people," says Green, "and unfortunately they weren't very good businessmen. They were debt-heavy and couldn't afford to continue spending on new equipment. Now they had 25 old 2-inch videotape recorders that were worth around, you know, $150,000 apiece. We felt 1-inch videotape recorders were coming and they offered tremendous advantages over 2-inch. If you could write off all 25 of those 2-inch machines at once, then while all the other guys were still writing off those huge pieces of equipment, we'd be the only ones who could really afford to jump into 1-inch."

Put Visualscope, a $3 million service company earning $400,000 pretax, together with $9 million Reeves, a highly leveraged capital-intensive processing business that had been in the red four out of the last five years? "It was difficult to find a banker who thought that this was the best deal he'd ever seen in his life," says Green.

But Green had done his homework. "Reeves owed $4 million and most of it was coming due shortly," says Green. "There was no way they could pay it. So I went around to the creditors trying to convince them they ought to take 50 cents on their dollar rather than the 20 cents on their dollar they might get through Chapter 11. I got $4 million in debt down to $2 million in debt—and the bankers were thrilled! And I got $600,000 in rent reduced to $192,000."

Now Wall Street investment bankers Donaldson, Lufkin & Jenrette pulled out their pocket calculators. Privately held Visualscope, they figured, was worth a little over $1 million. Since Visualscope's stockholders wanted to end up with clear control—say 65% of the combine—that meant Reeves Teletape had to be valued at under $600,000. Reeves would be the surviving company so as not to lose those tax-loss carryforwards. But Reeves carried its net assets at over $2 million. Add back that $1.7 million of debt forgiveness and you get $3.7 million. Now subtract Teletape's new "value" of $600,000 and the combine had to have a $3.1 million writeoff. Off the books went those videotape recorders and their corresponding depreciation charges.

With sharply lower depreciation charges, Green was able to show the bankers that without any increase in business whatever, the combined Reeves-Visualscope would not lose $800,000 as it appeared at first, but instead *earn* $500,000.

Now Green was no longer simply finding corporate sponsors for shows. He was providing the equipment and technicians needed to produce shows. But, obviously, the real money was in developing and owning the shows. In 1978 Green landed Alan Landsburg Productions. Landsburg, one of the largest independent producers of made-for-television movies, was hot and growing very rapidly. But Landsburg felt financing that growth was becoming a strain. With its handsome cash flow and excellent borrowing capacity, Reeves looked like an ideal partner. And so it turned out to be. Last year, with Landsburg on board, Reeves' sales doubled to $30 million and its earnings tripled to $2.3 million. An important factor, of course, is the network ratings war. One of the best ways to boost ratings, it turns out, is more Movies of the Week like *And Baby Makes Six* and *Marathon*.

"Here we were making all this money and we were just going down the tubes on the balance sheet! It took us a long time before we all understood it!"

"Let me tell you why everyone would love to get into this business," says Green, pulling out a pad of paper and quickly scribbling some numbers on a hastily drawn grid. "Let's say we're going to make a movie of the week and it's going to cost us $1.5 million. Negotiate it with the network and they agree to pay me a license fee of $1.5 million. Okay. I have broken even.

"Now the IRS comes along and they say, 'Wait a minute. You're going to make a profit on this thing when you get it back from the network in the aftermarket. Estimate what your profits are going to be in the aftermarket.' So I say, 'I'm going to make $500,000 in the aftermarket.' And they say, 'Well you can only take costs in relationship to the sales you have at the moment. Since in the first year you've got 75% of the sales that film will produce over its life, you can only take 75% of the costs against it.' That works out to $1.125 million even though I actually spent $1.5 million. So, now, lucky me! I've just made $375,000 right? So my taxes are $187,000. I show a profit of $187,000 but I have a negative cash flow of $18 Where do I get the money? So th says, 'Gee, you have a real probler we're going to try to help you. . . .'

Another guffaw from Green. ' say, 'We're going to give you an i ment tax credit of 6.7% on that i of the usual 10%,' " he goes on. "S some $100,000 of my $1.5 million in tax credit. So my negative cash f only $87,000. I'm paying just $87,0 on $1.5 million revenue and we ca doing that forever as long as we producing."

So Reeves shows a profit it does have to its shareholders and to th Those taxes cause a negative cash But over time Reeves hopes to rea very high rate of return.

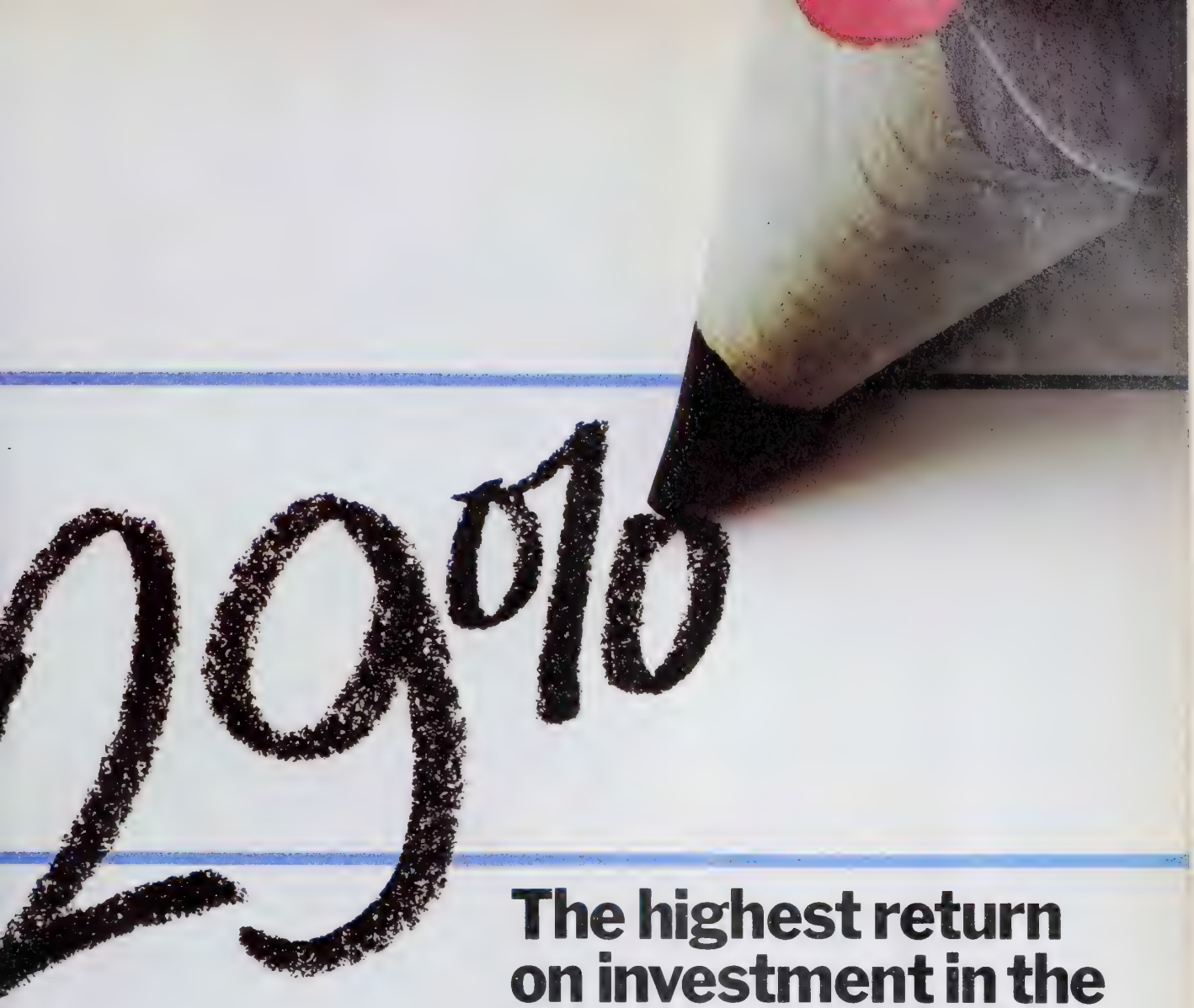
Notice that if Green wants to current reported earnings, all he ha is triple or quadruple his estim what he expects to make in the afte ket. Says Green: "I can make my ings go crazy that way." But i Green is doing just the reverse. H mates aftermarket earnings as con tively as possible, thereby buildin burgeoning nest egg. Renting that l out to the aftermarket should prod least $35 million in future earning the next four or five years, accord the industry rule of thumb.

So if trouble strikes and Reeves to use its film library—"our cash goes way the hell up," Green inte "You see the casualty rate in ou ness is incredibly low. Nobod bombed out that's gotten to the po have except one producer who did cops-and-robbers shows in the and early Seventies. He didn't sell rerent] his inventory, thinking getting more valuable, and then two years ago they cracked do television violence and nobody to buy any of his shows. So tha risk we face. A second is losing o ple—there are only a few of us takes time to develop a manag team—especially in this busines third, someone could conceivabl us out of the water by going over b But we watch that very closely.

"Of course there are lots of othe things that can happen—like th we were shooting *The Savage Bees* the desert and the Santa Ana win up and blew all the bees away. I were fully insured."

At 45, owning 24.5% of Reeves now at 12 times earnings, worth $11 million (in total, officers ow 65% of it), Green has no inten selling out any time soon. With next three years he hopes to ma other "fairly significant" acquisiti

"I've always believed that earni more important than assets," h The truth is Green has managed t both.—*Geoffrey Smith*



The highest return on investment in the Common Market.

REPUBLIC OF IRELAND

The most profitable industrial location in Europe.

US Department of Commerce statistics for the period '74-78 show a 29.9% average annual return on investment for US manufacturers located in the Republic of Ireland—more than twice the European average.

IDA Ireland
INDUSTRIAL DEVELOPMENT AUTHORITY

The Irish government's industrial development agency has offices in New York, Tel (212)972-1000; Chicago, Tel (312)644-7474, Houston, Tel (713) 658-0055, Los Angeles, Tel (213) 624-1024; Cleveland, Tel (216)861-0305, Menlo Park CA., Tel (415)854-1800, Boston, Tel (617)367-8225, Toronto, Tel (416)364-7478. Overseas offices also Amsterdam, London, Paris, Cologne, Stuttgart, Copenhagen, Milan, Madrid, Tokyo and Sydney

This announcement is published by IDA Ireland, 200 Park Avenue, New York, 10017, which is registered under the Foreign Agents Registration Acts, as amended, as an agent of the Government of Ireland
This material is filed with the Department of Justice where the required registration statement is available for public inspection. Registration does not indicate approval of the contents by the United States Government

Many people buy Raytheon appliances without even knowin

When it comes to appliances, Raytheon isn't exactly a household word in America. Yet millions of householders use Raytheon appliances every day.

There's a simple explanation for this paradox. Raytheon is the parent company of five different appliance firms whose names are, indeed, household words. Names like Amana, Caloric, Glenwood, Modern Maid, Speed Queen. Raytheon, in fact, now ranks among the five largest major appliance manufacturers in the country.

As part of Raytheon, each company ca draw on a broad range of technical skills to develop new and improved products.

Sometimes the results are dramatic. In 1967, for example, Raytheon and Amana joi forces to introduce the first 115-volt counter microwave oven for the home. That first Radarange® oven revolutionized home cook and marked the beginning of a whole new industry. Amana and Raytheon continue wo ing together to develop new models, new features, and new accessories to make

vave cooking even better and more
nient. Little wonder, then, that Amana is the
y's leading producer of microwave ovens.
ecently, Raytheon and Caloric engineers
ped the remarkable ME range that cooks
ll power microwave energy or conventional
city—or both—in a single oven. And
c is now introducing a new range that
nes microwave and gas cooking.
s easy to see, then, that Raytheon's
rship with its appliance companies serves
st interests of both the customer, who
gets high-quality, innovative products, and the
individual company, which benefits from
greater research and financial resources.

Raytheon...a $4.3 billion company in
electronics, aviation, appliances, energy, con-
struction, and publishing. For a copy of our
Annual Report, please write Raytheon Company,
141 Spring Street, Lexington, MA 02173.

RAYTHEON

We worked our way to the top.

A lot of hard work has made Case a giant in construction equipment. One of our largest units is this Drott/Poclain excavator, hard at work in a copper mine in Arizona. We offer a variety of industrious excavators, loaders, dozers, trenchers, compaction equipment and the best-selling loader/backhoe in the world.

Hard-working construction companies demand hard-working machines. Case has met that need with more than 100 basic models—the broadest line of tough, productive construction equipment in the industry.

Hard work works. That's how Case became a major force—the growth leader in the industry and the second largest construction equipment manufacturer in North America.

J I Case
A Tenneco Company

TENNECO

case

oe Minerals doesn't have a huge amount apital, but it compensates with imagina- and good management.

Mining capital

of St. Joe Minerals
that could turn out to be a mother lode.

IF AMERICANS DO NOT always appreciate what a treasure they possess in the nation's almost limitless reserves of coal, at least one giant European corporation clearly does. Consider the implications of the gigantic joint venture that Scallop Coal Corp., Shell's wholly owned subsidiary, agreed to form a couple of months ago with St. Joe Minerals Corp. (1979 sales, $1.2 billion) to develop St. Joe's Appalachian coal reserves, mostly low-sulfur steam coal.

For Shell, with its worldwide oil marketing and transport facilities, St. Joe's coal will become part of a significant diversification in the U.S. and abroad that will be a supplement to its vast oil-marketing operations. For St. Joe, the deal could turn out to be nothing short of a mother lode.

The 50-50 joint venture will work this way: St. Joe will put in all its coal assets, including those of its subsidiary, A.T. Massey Coal Co. (except for $220 million of Massey's cash), and Shell will put up $680 million. What makes the deal especially attractive for St. Joe is that it paid only $56 million in stock for Massey back in 1974 and then brought in another coal company three years later for $40 million in stock. Against this initial capital investment of less than $100 million, St. Joe will keep Massey's $220 million in cash before selling Shell a half interest; it will also benefit from the $680 million in cash and notes that Shell is contributing as additional capital to the joint coal operation. The deal will increase St. Joe's book value from around $24 a share to $40. In addition, St. Joe can divert money formerly earmarked for Massey to other purposes.

Last year Massey, which is the nation's second-largest coal exporter, shipped 12.8 million tons of its own coal plus another 5.5 million tons it brokered for other producers. By 1985 St. Joe expects Massey's production to climb from the present 12.8 million tons a year to around 40 million. Some of Shell's share—around 20 million tons—will be shipped abroad but most of it will be marketed to U.S. East Coast utilities that now take its oil.

Shell came to St. Joe looking to buy 100% of Massey. But St. Joe's CEO John C. Duncan, 59, countered with the proposition that was finally agreed upon. Duncan came to St. Joe back in 1970 from W.R. Grace to be senior vice president in charge of diversifying the company out of its heavy concentration in lead and zinc. Soon after he got there, St. Joe bought 92% of CanDel Oil Ltd. of Canada for $47 million in cash. Says Duncan, "That was our first major move into energy. We paid $12 a share and today the 6% that's still in public hands sells at $70 to $71 on the Toronto Stock Exchange." That would make St. Joe's CanDel shares worth almost $280 mil-

This advertisement is neither an offer to sell nor a solicitation of offers to buy any of these securities. The offering is made only by the Prospectus.

NEW ISSUE April 16, 1980

1,000,000 Shares

The Perkin-Elmer Corporation

Common Stock
($1.00 par value)

Price $39.125 per share

Copies of the Prospectus may be obtained from any of the several underwriters, including the undersigned, only in States in which such underwriters are qualified to act as dealers in securities and in which the Prospectus may legally be distributed.

The First Boston Corporation

Bache Halsey Stuart Shields Incorporated
Bear, Stearns & Co.
Blyth Eastman Paine Webber Incorporated
Dillon, Read & Co. Inc.
Donaldson, Lufkin & Jenrette Securities Corporation
Drexel Burnham Lambert Incorporated
Goldman, Sachs & Co.
E. F. Hutton & Company Inc.
Kidder, Peabody & Co. Incorporated
Lazard Frères & Co.
Lehman Brothers Kuhn Loeb Incorporated
Merrill Lynch White Weld Capital Markets Group Merrill Lynch, Pierce, Fenner & Smith Incorporated
L. F. Rothschild, Unterberg, Towbin
Salomon Brothers
Shearson Loeb Rhoades Inc.
Smith Barney, Harris Upham & Co. Incorporated
Warburg Paribas Becker A. G. Becker
Wertheim & Co., Inc.
Dean Witter Reynolds Inc.
Alex. Brown & Sons
Hambrecht & Quist

YOU have the power to end HD

NATIONAL HUNTINGTON'S DISEASE ASSOCIATION
Suite 501, 1441 Broadway, New York, N.Y. 10018
212-966-4320

THIS SPACE CONTRIBUTED BY THE PUBLISHER 79-9

lion, $12.45 per St. Joe share. The
1977 St. Joe bought Coquina Oil Co
Midland, Tex. independent.

With these acquisitions St. Joe ha
terests in the Buchan Field and Ne
lands sectors of the North Sea; the
worth-Wapiti gasfields in Alberta;
shore explorations in southern Engl
and leases under development in
southwestern U.S.

Even with that, St. Joe's oil and
operations account for only 5% o
present revenues. The acquisitio
Massey in 1974 was the most impo
move out of its traditional busine
Last year the company sold $618 mi
worth of coal, accounting for 55%
total sales. Lead produced 21% of
enues, zinc 13% and precious metals
other minerals another 6%.

The Shell-St. Joe deal won't be
pleted until the fall, by which time
partners will have worked out a sche

At a recent market price around 40, St. Joe is sell at a book value that alre discounts the Shell deal.

for investing Shell's $680 million in
sey's business. Once the money is p
work, says Smith Barney analyst
liam G. Siedenburg, the deal will inc
St. Joe's earnings by more than $1 a
in 1981. Even before the joint vent
funds are *invested*, they will be earnin
Joe 25 cents a quarter in interest.

Duncan is looking for cash flow
year to hit around $10 a share. Acco
to estimates of Bear Stearns analyst
ald Shorr, operating profits should
$250 million and aftertax earnings
run about $6 per share. With that
the big surge in net worth from
writeup of the coal assets by $680
lion, you would think St. Joe might
looking tasty to some corporate pred

But Duncan, sitting there tossi
half-pound gold nugget from han
hand, doesn't seem a bit worried.
he, "Considering our earnings, our s
is selling at a better price than
other mining companies. So if a c
rate buyer wanted to find bargains,
have to look elsewhere." Maybe, bu
recent market price of around 40, S
is selling at a book value that al
discounts the Shell deal, and at onl
times probable 1980 earnings.

Quite clearly, Duncan is not ta
any chances. He didn't bring St. Joe
far to see it swallowed up just a
carefully laid plans are coming to
ition. The joint deal with Royal D
will lessen the danger of an oil com
takeover of St. Joe. Tempting m
though it be, St. Joe looks to be ar
for a long time as an independent pl
natural resources and energy. ■

We started the year with $7.7 billion worth of orders on hand. A new record for us.

The figures are impressive, by anybody's standards. But of course only our manufacturing companies report orders on hand.

At year's end, these companies had a backlog of $7.7 billion—up 18% over the year before.

These orders reflected strong performance in almost every area of our business. What about the years to come?

As our Annual Report points out, this company has committed itself to continued profitable growth.

Which is why, for example, we devote so much to research and development.

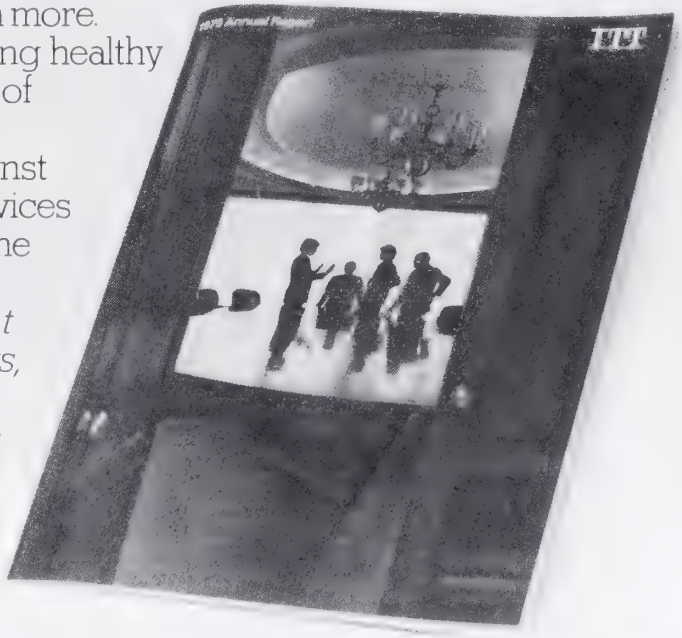
In the past five years, we've invested $3.4 billion in research and development.

And this year, between our own and customer-funded research, we expect to spend over $1 billion more.

The way we look at it, having healthy orders on hand is a real mark of corporate strength.

And investing heavily against tomorrow's products and services is the best way to make sure the orders keep coming.

For a more detailed look at ITT, its business and prospects, write for your complimentary copy of our Annual Report to: Department of Investor Relations, International Telephone and Telegraph Corporation, 320 Park Avenue, New York, New York 10022.



The best ideas are the ideas that help people. **ITT**

A little piano company has become one of the nation's best-run financial outfits. What's the secret of higher earnings in a tough year? Simply, respect for its stockholders.

Baldwin-United's tuneful bottom line

By Subrata N. Chakravarty

Poor Morley P. Thompson. The 53-year-old president of Cincinnati-based Baldwin-United Corp. has spent the past dozen years helping the company's founding family transform a staid, 118-year-old pianomaker into a $730 million (revenues) diversified, profitable and fast-growing financial services company—banks, savings and loan associations, insurance, mortgage servicing, the whole gamut of financial services. Now he faces not only chaos in the financial markets but also a Dec. 31 deadline to divest control of 12 Colorado banks under the 1970 Bank Holding Company Act. Add to that the woes of the insurance and S&L industries—massive withdrawal of funds, narrowing spreads—and you can guess at the dimensions of Thompson's problems.

But Morley Thompson is smiling. There is not even a hint of moisture in his eye these days.

Aren't his savings and loan earnings down 40% in the first quarter? They are, but compare that with the competition. Many S&L companies' earnings are down 67% and more. How about the problem of disintermediation—the industry term for the massive withdrawal of funds in search of higher-yielding investments? "We do not have disintermediation in either our savings and loans, our banks or our insurance companies," Thompson says. In his insurance companies, policyholder loans, which drain badly needed capital, are only 16% of reserves, well below the industry average; insurance sales are up 25% in the first quarter and savings and loan deposits are up, too. True, Baldwin-United has had to sell high-rate money market certificates to large S&L depositors who formerly had straight deposits, but at least it has managed to hold on to the money. Moreover, the higher cost has been moderated by the loyalty of B-U's smaller depositors. Thompson points out that B-U caters to small investors who are not inclined to take policy loans or pull out deposits in order to shift to higher-interest money market certificates. The tendency of small investors to stay put, Thompson says, is attributable partly to a lack of sophistication, and partly to the small size of the deposit and policy amounts involved.

The same squeeze between the rising cost of money and the relatively rigid

Thompson of Baldwin-United
Fewer lawyers per square mile.

returns that hurt S&L earnings has also hurt B-U's property and casualty business, with the underwriting ratio—expenses as a percentage of premiums—increasing from 96.7% in 1978 to 98.9% in 1979. But B-U is still one of the very few casualty insurers making a profit on underwriting before adding in income from investment (Forbes, *Apr. 28*).

How does B-U keep the underwriting ratio positive? "One reason we're successful," Thompson quips, "is that we're in areas with fewer lawyers per square mile." He is not being facetiou Midwest farm states, accordi Thompson, are a less litigious s than the rest of the country. "W areas of the Midwest that have ver ethics," he claims. "You don't tur loss on a barn unless the barn was damaged in a storm."

The most important reason, ho has nothing to do with ethics. In m the states in which B-U operates, t permits B-U to file for a rate increa bill the increase without waiting f proval. That makes a big difference approvals typically take months.

Meanwhile, B-U is making high turns than usual by paying greater tion to its "float" businesses. Float ey is essentially free money, th costs being administrative. Casual miums, paid in advance, are float year B-U acquired Top Value, the s largest marketer of trading stan business that is based entirely on Trading stamps are sold to mer and are paid off in merchandise a age of a year and a half later. meantime, the money is availa use. Yet another float business is gage servicing. B-U contracts with ers to collect mortgage payment fee—typically 0.375%. But in addi gets the use of the payments for 4 In many cases, home owners al their real estate taxes monthly wit mortgage payments. But B-U pays to the localities only semiannual law the funds must be placed in a terest escrow fund. B-U deposits crow funds in its own banks and The banks thereby get lendable fu no cost. Last month B-U doubl mortgage servicing business by acq 75% of the Colwell Co., a Cali based firm servicing $2 billion in gages. Thompson plans a free merger soon to get the rest of the s

Of Baldwin-United's $3.2 bill combined assets, some $750 millio float funds and another $800 millio low-cost funds like life insuran serves and savings deposits. Onl million is in high-cost money and federal funds.

B-U is as innovative in marketi is in money management. It is only five companies to offer adj life insurance policies, which allo licyholder to shift at will from wh to term and back again with no ties. It is also one of the few to single-premium deferred annuity— shot payment, whose income i tered until drawn down. The an are selling at the rate of $1 mil week. "We are just very marketi ented," says Thompson. "We're tr offer new products."

The innovative approach sho also in internal financing. At th ment, for example, Thompson is e

St. Louis Welcomes British Caledonian Airways.

Now London has four nonstops a week to he Gateway to the West. And Lambert-St. Louis nternational Airport hosts a full dozen airlines*.

Which is just one reason St. Louis is such an deal host city. As a major U.S. crossroads we re ess than two hours away from 55 cities coast o coast.

As British Caledonian discovered, there's o better place in the ountry for meeting eople half way.

But location is just one of our assets. There are plenty of others that can make us such a clever choice for your next meeting.

And John G. Walsh would be delighted to tell you what they are. Drop him a line at 7900 Forsyth, St. Louis, MO 63105.

***The domestic and international airlines that make St. Louis a Meetingplace: American, Braniff, Delta, Eastern, Frontier, Northwest Orient, Ozark, Republic, TWA, Texas International and U.S. Air.**

St. Louis
The Meetingplace

© St. Louis County Government

Have solution

Many of our customers get a big head start when they embark on a search for a new systems solution to a major business need. IBM Data Processing Division teams of application specialists have been there before, traveling throughout the country to tackle some of the toughest business projects.

Our specialists, who have years of experience in specific industry areas, work in tandem with a customer team to define requirements and plan application design. They d upon known solutions that have already he other customers in the same industry. Wor with customer executives, users and data cessing professionals, they adapt the solu to the specific business problem.

It can take a long time to develo tailored plan for a systems solution. But the help of our Application Transfer Teams process often can be accomplished in only a

l travel.

ns. Sometimes it's even been done in s. The teams are one example of IBM sup- They are in action clear across the coun- t sites such as those represented above– ng with customers in industries as e as finance and insurance, education and manufacturing, transportation and utilities.

Every time we help a customer define and solve a critical business problem, everybody benefits. And it's what we learn that makes it possible for us to say, "Have solutions, will travel."

The way we put it all together is what sets us apart.

IBM®
Data Processing Division

Your first minute at Marriott.

One minute should be more than enough to show you why Marriott stands apart from every other hotel company in the world.

To show you why, for example, Marriott has won far more Mobil "4-star" awards than either Hyatt or Hilton–and more than Sheraton, Western International, and Holiday Inn combined.

It's not that Marriott offers things other hotels don't. It's simply that Marriott sticks to the basics, but serves them up with such a passion for perfection that they suddenly seem fresh, a revelation.

Imagine! A hotel run the way a hotel ought to be run. Genuine warmth from the people who greet you and help you with your luggage. Attentiveness from the desk clerk. Rooms that are immaculate. Waiters and waitresses who smile.

You'll find Marriott hotels downtown or near airports in most U.S. cities and at many resort and foreign locations, too. To reserve, call a professional, your travel agent. Or toll-free 800-228-9290.

WHEN MARRIOTT DOES IT,
THEY DO IT RIGHT.®

Marriott Hotels

YOUR FIRST MINUTE
ONE OF
5 MARRIOTT HOTELS:

TES
Airport, Downtown,
North, Perimeter Center

AD/Marriott's Hunt Valley Inn
A

North Michigan Avenue,
arriott's Lincolnshire Resort
OH
H/Airport and East
OH
Market Center and North

IO
Arbor, MI
ale, FL
IN
X
s, MI
A
/At the Astrodome,
w, West Loop
IN
MO
/Marriott's Casa Marina Inn
Ozarks, MO/ Tan-Tar-A Resort
CA
arksville, IN
, FL/Marco Beach Hotel & Villas
Key, CA

WI
/Bloomington, MN
s, LA
ich, CA
Y/Marriott's Essex House

PA
A/Greentree and Monroeville

RI
ge, CA
Rancho Las Palmas Resort
Y/Airport and Thruway
, NJ
O/Airport and Downtown
TX
o Bay, CA/at Berkeley Marina
a, CA/ Santa Barbara Biltmore
CA
Z/Marriott's Camelback Inn

MA

DC, Bethesda, Maryland,
, Dulles International Airport,
Twin Bridges
NAL
exico/Paraiso Marriott
The Netherlands
est Indies/ Sam Lord's Castle
udi Arabia
Kuwait
di Arabia Khurais Marriott Hotel

lifornia, '81
Amherst '81
OH/North '81
City Center '81
, SC '81
/Airport '81
auai Marriott Resort '82
aui Marriott Resort '81
I
y, UT '81
Sea-Tac '81
D.C. '80
County, NY '81

a room at any one of
rriott Hotels, call toll-free
3-9290.

in selling two subsidiaries. They are Empire Savings, Building & Loan Association and Baldwin Piano & Organ Co.—B-U's original business. The buyers are their own life insurance subsidiaries who are paying $80 million for the pair. The earnings will still flow through to the consolidated statements, and the parent will get $80 million in cash besides.

Baldwin-United's management has even managed to turn to advantage the legal requirement that it sell its commercial bank holding company. Thompson proposes to put the banks' stock in a limited partnership in which the banks' managements and boards would be the general partners with voting control and B-U would be a limited partner with a 93% nonvoting interest. B-U would thus comply with legal requirements to give up control but would continue to have the financial benefit of booking most of the banks' profits. The earnings would continue to be consolidated and B-U would avoid a steep decline in reported earnings. In order to ensure that control really is relinquished, the Fed has stipulated that there be no contact between the banks and B-U. "They made me sign an affidavit that I can't even buy a director a drink," says Thompson. As further insurance, 8 of the 11 directors of the new bank holding company will be nonmanagement outside directors.

Under a brilliantly complex plan that B-U has proposed to the Fed, the parent company will eventually relinquish its remaining ownership in the banks—but only gradually and at an excellent price. Baldwin-United proposes selling $180 million in debentures with warrants attached that would enable the warrant holders eventually to acquire B-U's partnership interest. While it is waiting for the warrants to be exercised, B-U can deduct the interest cost on the debentures (which cannot be less than the bank's total aftertax earnings) from its taxable income. Meanwhile its participation in the bank profits can continue to be consolidated. You don't have to understand the details of the plan to realize that, if the Fed approves it, B-U's shareholders will benefit from higher reported earnings than if it is not approved.

If all this weren't boon enough, Baldwin-United is sitting with a nice pile of cash at a time when cash is at a premium. If the bank deal is approved, its cash hoard will swell to about $300 million—about $30 per Baldwin-United share as compared with a recent market price of $26.63. "We think that later on this year is going to be a very good time to invest a couple of hundred million dollars and we've got it to invest," says Thompson. "We're going to have quite a war chest."

It was only 12 years ago that Thompson and the controlling Wulsin family (Lucien Wulsin is still chairman) set about diversifying their venerable piano

Baldwin-United's Central Bank of Denver
A brilliantly complex divestiture plan.

company. Not for them grab-bag conglomeration. Finance was a logical direction, as most pianos have always been sold on the installment plan and management always had to understand finance. The results have been a truly impressive example of what good management and common sense can accomplish. Over the past decade alone book value per share has increased from just over $1 to more than $20, and earnings per share, from 79 cents to almost $6. With total assets of just over $3.2 billion, Baldwin-United may be one of the nation's smaller diversified financial outfits but it is also one of the most profitable.

Thompson likes to tell the story of the widow of a former employee: When her husband died in 1952, she inherited $50,000 in stock. Today, that stock is worth over $3 million and pays $120,000 in dividends annually.

He tells the story, not so much in bragging tones, as to let you know that Baldwin-United is run for the primary benefit of its shareholders—which relatively few companies really are, the pieties notwithstanding. Because Thompson took advantage of last year's weak stock market to buy in 920,000 of B-U's shares—nearly 10% of the outstanding—per-share earnings were up 9.5% in the first quarter, although dollar earnings were up only 2.2%. He predicts that the trend will continue for the rest of the year. That is going to be quite an accomplishment, considering that B-U last year earned $5.78 a share, a return of more than 30% on shareholders' equity. Even in this depressed market, Baldwin-United would seem quite a bargain at less than 5 times last year's earnings. ■

Charlie Bluhdorn was right: Under the right circumstances—if y understand the implications of inflation—a liability can be an ass

The more they owe, the richer they get

Statistical Spotlight

BACK IN THE SIXTIES Wall Street laughed at Gulf & Western founder Charlie Bluhdorn for turning his highly leveraged conglomerate into an inflation hedge. His concept: borrow long and buy assets that would appreciate with inflation. Examples: G&W's Manhattan skyscraper, its Paramount film libraries, forests and mines.

Aha! said Wall Street. Just wait until a real recession hits. The whole pyramid will tumble. As it turns out, Bluhdorn was sharper than his detractors. He understood the implications of inflation. They didn't. The assets—and the earnings they produce—have indeed grown in value with inflation. Compounding the benefit, the burden of the debt has become much lighter. Not only will G&W be paying back in much-cheapened dollars, but interest rates, as low as 5%, also look like a real bargain, at a time when 20% interest rates are common and even the bluest of blue-chip companies has trouble borrowing long. It's a paradox of our times, a product of inflation, that long-term debt at relatively low interest rates can be an asset, not a liability. Bluhdorn understood this long before most of his peers did.

G&W isn't the only company sitting with this perverse kind of asset. Under new Financial Accounting Standards Board rules, some companies are required to show in their annual rep figure called "purchasing power gai tells how much the company gain real dollars that year because the b of its debts were reduced by inflati

On the table below are 46 comp with high debt—and, accordingly, purchasing-power gains. Of cou quick qualifier must be that the ear assets bought with the borrowed m should be doing well enough to inflation. Where they aren't, the may be more illusory than real where the purchased assets—plan machinery—have maintained their or increased, the purchasing-powe is real.—*Maria Latorraca*

Cheap debt

These companies illustrate the benefits of living in inflationary times: Their debt will be paid back in cheaper dollar

Company	Long-term debt as % of capital	Total long-term debt (mil)	Total capital (mil)	Interest on long-term debt (mil)	Average interest rate	Purchasing power gain* (mil)	Industry
ACF	47%	$ 311	$ 659	$ 25.7	8.5%	$ 62.9	Railroad equipm
Akzona	41	228	552	19.5	9.3	31.6	Chemical
Albertson's	55	216	395	21.3	9.9	36.9	Supermarkets
Alexander & Baldwin	40	180	453	12.9	8.5	8.9	Transportation
Allegheny Ludlum	43	352	822	36.0	10.0	58.6	Specialty steel
Allied Chemical	42	1,013	2,441	71.7	7.3	187.0	Chemical
American Airlines	59	1,260	2,153	77.8	6.7	112.8	Airlines
Braniff International	78	699	898	55.9	10.0	71.7	Airlines
Carter Hawley Hale Stores	47	514	1,098	41.8	8.1	66.3	Retail
Castle & Cooke	44	346	777	28.8	8.6	47.9	Food processing
City Investing	63	1,580	2,507	188.0E	13.2	135.4	Multi-industry
Continental Air Lines	58	297	510	30.1	10.9	35.0	Airlines
Crane	53	417	791	40.0E	10.6	48.4	Building
Diamond Shamrock	43	761	1,780	67.0E	9.0	106.0	Chemical
Dillingham	42	177	422	15.9	8.7	18.9	Multi-industry
Dow Chemical	45	3,128	7,024	256.3	8.3	435.0	Chemical
Eastern Air Lines	74	1,374	1,863	90.6	7.5	132.7	Airlines
Eaton	40	626	1,562	64.6	8.9	96.0	Automotive
Federal Paper Board	45	150	334	13.2	9.3	19.7	Packaging
GATX	69	1,061	1,548	77.2	7.4	131.9	Railroad equipm

*Gain from decline in purchasing power of net amounts owed. E: Estimate.

any	Long-term debt as % of capital	Total long-term debt (mil)	Total capital (mil)	Interest on long-term debt (mil)	Average interest rate	Purchasing power gain* (mil)	Industry
year Tire & Rubber	41	1,502	3,665	123.9	8.3	224.5	Automotive
nermill Paper	40	191	479	13.3	7.0	22.8	Forest products
tal Corp of Amer	53	446	836	38.2	8.8	56.8	Health care
	69	1,591	2,309	146.3	9.1	258.9	Steel
hon Oil	40	1,136	2,825	107.6	9.8	227.4	Energy
ott	49	403	816	32.0E	8.5	55.1	Hotel
Petroleum	56	504	904	44.0E	9.2	51.0	Energy
ny Oil	47	480	1,012	38.5	7.7	81.0	Energy
west Industries	42	664	1,588	60.0E	9.5	104.8	Multi-industry
ental Petroleum	41	1,176	2,877	143.6	12.3	240.1	Energy
merican	59	1,061	1,787	70.4	7.1	112.3	Airlines
oil	47	759	1,608	90.0E	10.8	128.4	Energy
s Dodge	38	652	1,695	51.9	7.8	100.9	Mining
Morris	50	2,456	4,927	220.0E	9.5	368.0	Tobacco
-American	78	886	1,135	112.3	12.3	124.0	Retail
lds Metals	43	913	2,124	65.0	7.1	116.4	Metals
System	71	739	1,047	63.8	10.1	103.3	Trucking
l	45	171	378	15.4	9.8	17.8	Household products
in-Williams	46	234	510	18.1	7.6	21.4	Building materials
ard Oil of Ohio	56	3,892	6,979	437.2	10.2	535.0	Energy
& Shop	59	181	309	16.5E	9.0	36.9	Supermarkets
World	67	1,338	1,989	87.8	6.9	129.1	Airlines
yal	56	636	1,146	45.0E	7.4	77.6	Automotive
Consolidated	38	291	763	27.9	9.3	46.6	Home appliances
ms Cos	49	714	1,458	70.0	9.1	120.0	Fertilizers
	60	237	397	25.7	11.7	39.3	Retail

from decline in purchasing power of net amounts owed. E: Estimate.

Take exception to this Money Market Fund.

e Scudder Tax Free Money Fund is exempt m the new Federal Reserve money market d regulations. It's our exception to the rule.

igh quality, short-term municipals with oday's high interest and tax free income.*

ttractive for investors in high tax brackets.

1,000 minimum investment, additions in ny amount.

lo load, no commissions.

acked by 60 years of investment ounseling experience.

me income may be subject to state, local or deral taxes.

ite or call toll-free **800-343-2890.**
Mass., call collect **(617) 482-3990.**

SCUDDER
SCUDDER STEVENS & CLARK INVESTMENT COUNSEL

Scudder Tax Free Money Fund
Scudder Fund Distributors, Dept. # 8014755MO2
175 Federal Street, Boston, MA 02110

For more complete information including management fee charges and expenses, please write or call for a free prospectus Read it carefully before you invest or send money

Name _____

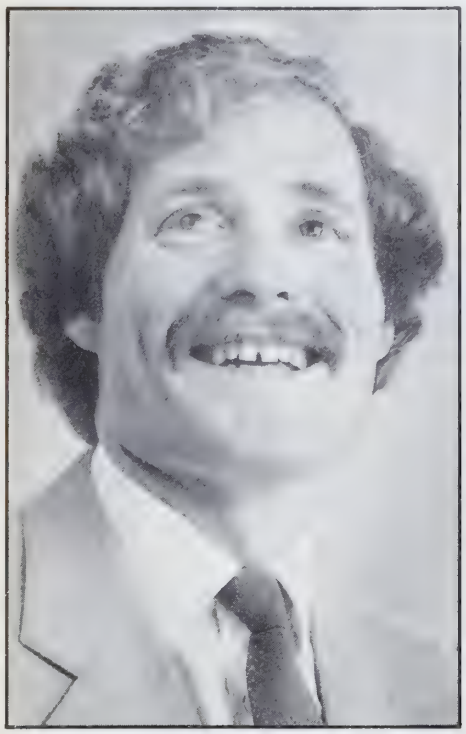
Address _____

City _____ State _____ Zip _____

Scudder Tax Free Money Fund.

Faces
Behind The Figures

Edited by Robert J. Flaherty



Amdahl of Magnuson Systems
No threat to the old man?

The son also rises

Last year new products from IBM put the computer industry into an uproar, but one little company—Magnuson Systems, still in its first full year in business—not only survived but also prospered, while established companies like Itel were falling apart. Magnuson's computers are competitive with IBM's new 4300 series. The mover at Magnuson is Carlton Amdahl, the company's executive vice president for technology.

He is the son of Gene Amdahl, who became something of a legend in the computer industry by selling the first non-IBM computers compatible with IBM programs. But while dad's firm saw its net income cut in half and its stock drop 70% last year, son Carl was setting himself up as another IBM irritant. Privately held Magnuson had 1979 sales of $10 million; sales are expected to triple this year, and the company is already profitable.

"Paul Magnuson, marketing man at Amdahl in its initial years, thought a company could be put together to market a midrange IBM-compatible computer," says the soft-spoken, 28-year-old Amdahl. "Paul went to my father and asked if he knew any engineers who could do the job. My father said, 'Well, my son's at Berkeley,' and they called me."

Carl Amdahl has been fooling with computers since he was a kid. He wrote his first program at age ten and was studying for his doctorate in computer science when he decided to transform what was to have been his dissertation into a marketable machine. It had taken his father five years and nearly $50 million to bring his first machine to market; son Carl did it in nine months and for less than $500,000. "When we designed the computer," says young Amdahl, "our first concern was survival. So we had to keep things as simple as possible."

Amdahl's competitive strategy was to build a computer that could meet changes at IBM while sparing a customer the costly process of scrapping his old machines. A Magnuson user can modify his machines simply by replacing some electronic circuit boards.

Magnuson moved to a larger manufacturing facility in San Jose late last year and its finances are solid. A second round of venture financing last fall raised $10 million though the company was looking only for half that amount. In its backlog is a firm $10 million contract from Storage Technology.

Carl Amdahl thinks his company poses no threat to his father's company because Magnuson's computer is smaller than Amdahl's. Papa Amdahl has other ideas. "I think Carl's done a remarkable job," he said recently. "I don't think he can be viewed as anything but a competitor."—*Kathleen K. Wiegner*

Singin' in the rain

For years Alleghany Corp. Chai Fred Kirby had a love-hate relatio with Investors Diversified Services the often-troubled Minneapolis-bas nancial conglomerate with $10 b worth of mutual funds, real estat insurance companies. Alleghany owned 93.5% of IDS' voting stoc sold it to the Murchisons of Tex 1966. By 1977 Alleghany had reg 45% of the voting stock and last M increased its equity from 37% to 1 making IDS a wholly owned subsid

The huge losses IDS took in it estate operations steadily eroded p from $37 million in 1971 to $11 m in 1975. Then they came back res ingly to a record $61 million in 197 January IDS unloaded its losing re tate investment trust—IDS R Trust—to Boothe Financial Corp.

"I'm glad I didn't have to take on," sighs Walter D. Scott, 48, abou real estate trust. He is the new IDS executive officer, replacing Charl Orem, who became chairman. came to IDS from another Minnea company, Pillsbury, where he was e tive vice president of administratio finance and a member of the board.

But IDS still has some rough hi climb, says Scott. Mutual fund shar still being redeemed faster than th being sold, a situation that is not l to reverse itself for some time. M while, Scott says, he's going to us 2,800 salespeople to sell such servic insurance, investment and fina counseling and maybe some new

Scott of Investors Diversified Services
"The heat is on institutions like ours to adapt."

What is NCR up to now?

e're number two factory data llection terminals.

ay, the critical element in trolling manufacturing costs is embling and processing rmation fast. That's why over 0 NCR factory data collection inals are used by ufacturers worldwide. Firms such as ch Aircraft, Bell Helicopter, and n Deere depend on NCR systems chedule production, to control ntory, and to provide up-to-the-ute management information.

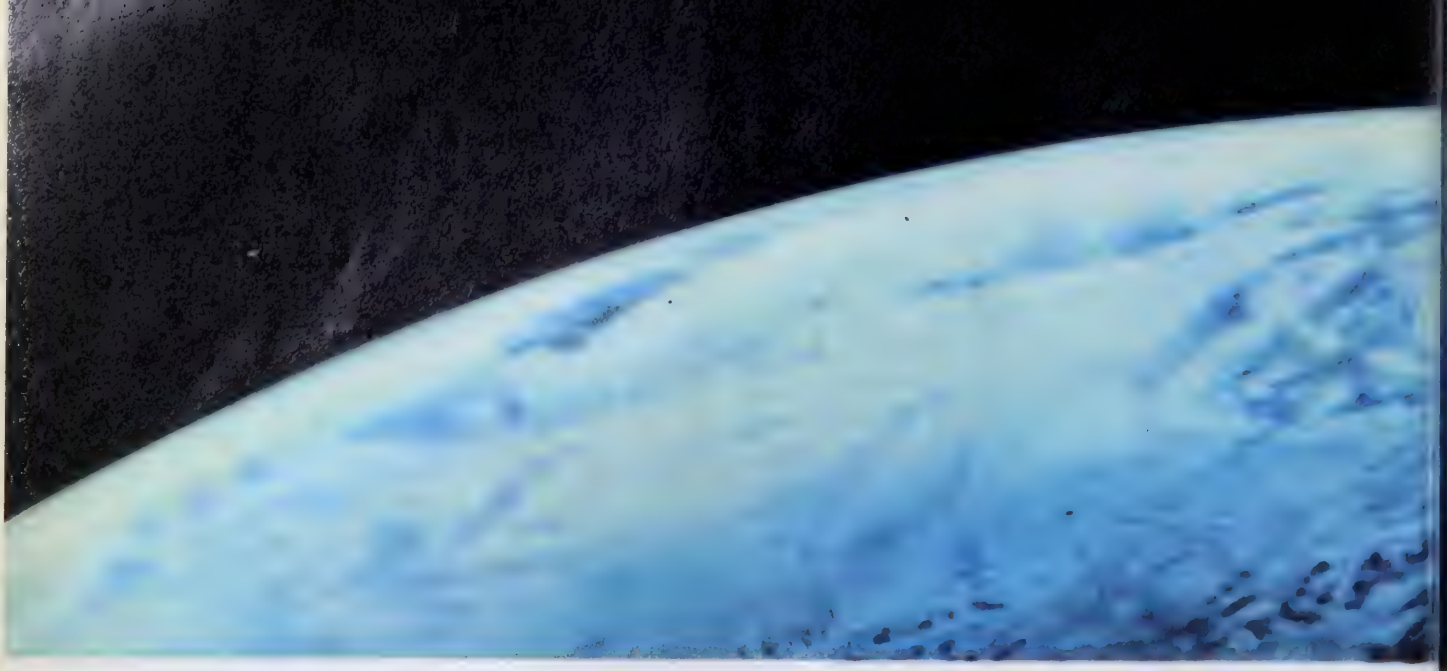
ourse, helping businesses rising costs is nothing new NCR. We've been doing this e the days before the embly line. In fact, we've n in the business pment field for almost years. Manufacturers for this kind of erience when choosing rmation processing ems.

And, they look for support. NCR supplies it with 16,000 highly trained field engineers ready where needed and when. This global support network is especially important to manufacturers with plans for expansion.

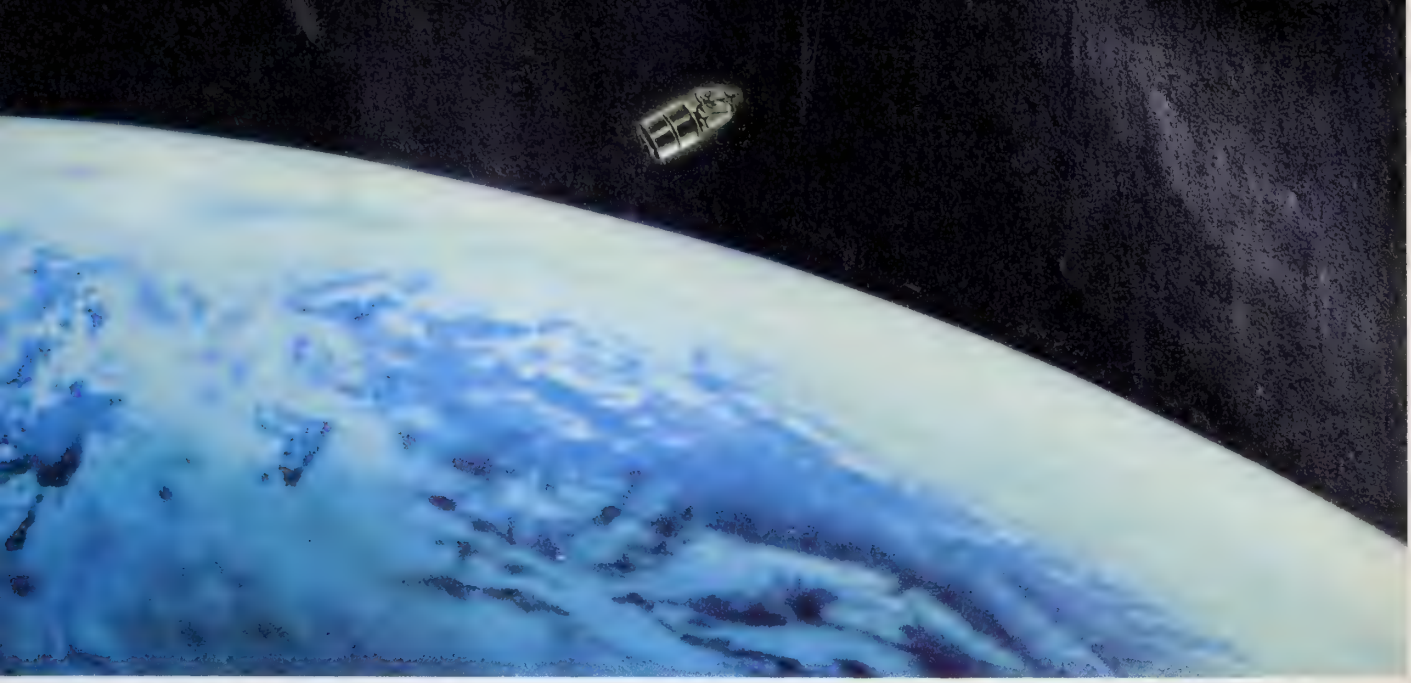
Manufacturing is just one of the fields where NCR is a leader. We also develop systems to speed transactions and to facilitate management decisions in the retail, financial, commercial industrial, healthcare, educational and government sectors.

NCR systems are up to meeting your complete data processing requirements. Because data processing is our only business.

NCR
Complete Computer Systems



Information management on a global scale



It happens at the speed of light: information sent from any
e in the world to any other. It happens because Bell science pioneered
llite communications in 1962, knowing that business was going global,
king possible worldwide communications networks for business.

We have been in the knowledge business for decades, creating
anced communications technology for information management,
cipating the time when most business problems would be information
nagement problems. That time is now. Knowledge shapes the future.
the key to increasing efficiency, lowering costs and improving return
nvestment.

Theoretical knowledge, codified and turned to practical
lications. That's our business.

The time is right for corporations to discuss with the Bell System
future as we practice it now. With lasers, magnetic bubble memories,
r optics, microelectronics. With their application to business
uirements by thousands of experienced information management
cialists. With equipment that is remarkable in its reliability, backed by
vice that is superb.

We are insight. We are change. We are the future.
And we can put it to work for your business.

The knowledge business

Faces
Behind The Figures

ucts to small and medium-size businesses. "I'm excited about today's volatile financial atmosphere," he says. "The heat is on institutions like ours to adapt."—*Bob Tamarkin*

Forewarned is forearmed

Hardly anyone can be more exposed to the vicissitudes of the economy than George Scharffenberger and his City Investing Co. To have $1.5 billion in debt on $1 billion equity is tough enough but, worse yet, $700 million of it is tied to the prime rate. That could be good for an extra $40 million to $50 million in interest cost this year.

That's not all. The conglomerate's $5 billion revenues are largely from businesses that are cyclical and interest-rate sensitive. Like residential air conditioners and water heaters (revenues, $355 million), shipping containers ($171 million), automotive plastics extrusions, business forms, and half a billion in revenues from vending machines in plants and employee cafeterias (through its Servomation subsidiary).

Then there's housing—three-quarters of a billion in revenues from home building, Florida land development, mobile homes and even an S&L.

As if that weren't enough, The Home Insurance Co., supposedly a contracyclical $1.8 billion in revenues for the company, isn't going to be much help this year, either. The casualty insurance industry this year is going through one of its periodic competitive bloodlettings, where everyone endures deep underwriting losses hoping they're going to be made up on investment returns.

It is clear 1980 will not be the best year for City Investing. Without a $10.1 million capital gain from selling off an oil and gas venture, first-quarter earnings would have been down 24.7%. As it turned out, they were up 21%.

Fortunately, however, Scharffenberger saw what was coming and cleared the decks. "We're prepared to ride it out," he told FORBES recently. "Carefully. Not cutting the dividend or anything like that. There are no particular near-term maturities not being handled out of cash flow, and we have $400 million in unused bank credits." Besides, a good chunk of City's debt is old debt and a bargain in the present context.

More of just being hopeful? Not really. "This is one of the most advertised downward movements in history," said Scharffenberger. "Everyone that I've talked to has prepared for it. I certainly can't lay any claim to brilliance in having gotten ready for it. If there's anyone who hasn't, there's something wrong with him."—*Harold Seneker*

Scharffenberger of City Investing
Fully prepared for "the most advertised downturn in U.S. history."

Foreign gamble

In 1966, when Vernon R. Loucks Jr. joined hospital supply manufacturer Baxter Travenol Laboratories, Inc. as assistant to the chairman, the company's sales were only $77 million. Two years later William B. Graham, then gave the nod to Loucks to mo sleepy Deerfield, Ill.-based firm overseas markets in a big way. taker by nature, the Yale football and Harvard M.B.A. took the oppo and ran with it. Under Loucks' gui the company opted for wholly foreign plants rather than the joi tures or licensing agreements tha stifling its competitors. The plan handsomely. Sales in 1979 were $ lion, about half of which was ge from the 20 overseas plants and 9 seas markets that make a line of m specialties that range from artific gans to intravenous solutions. L reward: He's Baxter's new CEO Graham, 68, remains chairman.

Loucks of Baxter Travenol Laborator
A risky philosophy pays off.

The company hasn't stinted search and development. Last spent $47 million on products like ble kidney dialysis equipment, Loucks predicts will account for sales of $100 million.

But the moves overseas were w been maintaining Baxter's rema 20% annual average earnings g "Those markets were ripe when w ly got into them in 1968," says Lo tall, earnest man with movie-star Baxter's next plant is slated for Y via, a foot in the door for expandi the Eastern bloc countries. Mayb na, too. There, however, Baxter have to settle for a 49-51 joint ve and Loucks isn't crazy about the i says: "We don't want to get joi tured to death."

Baxter's U.S. competitors mus they'd had his foresight. Only Joh Johnson has put together a com international network. "It was a philosophy," Loucks admits, we'd been wrong, you'd use a d term than luck."—*Lisa Gross*

rgentine optimist

nly a transitory development," lerico (Freddy) Dumas about the crisis currently afflicting Argen- will have no permanent effect economic development." Dumas, s Argentina's under secretary for investments and has recently ouring New York and the Mid- American companies willing to n Argentine metalworking, agri- s and supermarkets.

banking crisis is a product of our of the Argentine economy," he nfortunately, given freedom, not e behaves responsibly." In this cording to Dumas, certain large nade unsound loans, many to pri- usiness groups controlling the Dumas claims they thought to siness empires so big the govern- ould have to support them de- eir unsoundness, to avoid severe oyment. Dumas made a tight lit- e. "But the government will not them." Banco de Intercambio le, the largest private bank in na, has a special reason to believe iled in late March. Several other banks are under the direction of bank trustees.

the present military junta took March 1976, it found an economy usly out of control—the govern- default on its foreign debt and in the month of takeover at a annual rate. The junta set about g as much production as possible te enterprise and dismantling the ructure of obviously useless con- prices, interest rates, currency exchange, rents and almost everything else. That, plus a still-expanding money supply, kept the inflation rate boiling along at about 150% since. More recently it has ratcheted down to around 50%. Production sputtered, but finally showed an 8.5% real gain last year.

Now, the economy needs substantial new investment and a lot will have to come from outside. That's why Dumas is promising economic freedom, equality in taxation with native Argentineans and full repatriation of profits and capital. "Things have changed in Argentina," he says.

For 30 years sensible foreign investors have shied away from the incessant political turmoil and economic irrationality of Perónism, anti-Perónism and corruption. The present government has shown an unlovely penchant for solving dissent by killing people, but the government also seems determined to put the country on a sound economic and financial basis, while there's still an economy left. "We want a return to democracy some day," said Dumas, "but we are committed to establishing stable political institutions first, so the military will never have to intervene again."

Pleasant words and high hopes, alas, are no substitute for performing. But maybe somebody will figure out how to make this land of enormous potential, endowed with fertile soil, abundant minerals, a temperate climate and a literate and energetic population, a solid, expanding economy again.—*Harold Seneker*

f Argentina
have changed, but how much?

Mondavi of Robert Mondavi Vineyards
Happiness is a Rothschild partner and French prices for California wine.

"The baron and I"

At last the prestige and popularity of the California wine market are getting to the French. California is producing 70% of the wine consumed in the U.S.; while France's share has fallen to 5%. Now the foreigners who have invested in California vineyards have been joined by none other than 78-year-old Baron Philippe de Rothschild, owner of France's world-famous Château Mouton Rothschild. Last month the baron signed a joint-venture agreement with Robert Mondavi, who runs one of California's leading vineyards. Together they will produce a California cabernet that will bear both their names. The wine will be priced right up there with "first growth" French wines at $25 to $30 a bottle, if it were to be sold today, far above the $5-to-$10 price of a premium California vintage wine.

The wine will be produced in Napa Valley, where Mondavi owns a 1,400-acre winery about 60 miles northeast of San Francisco. The Mondavi-Rothschild red will not appear on U.S. shelves until about 1983-84. Volume will be only about 2,000 cases that first year but should hit 5,000 the second.

Many foreigners had approached Mondavi earlier, but he went with the baron because, he says, "The baron and I are so much alike. We both have the same ideas about winemaking." Some years ago the baron broke with tradition and horrified prestigious French winemakers when he began producing a relatively inexpensive, mass-market French table wine, Mouton Cadet, which sells for about $6 a bottle today in the U.S.

Mondavi shocked his own family even more directly. He wanted his own winery so badly that he left his family's Charles Krug vineyard in 1966 in order to form his own, with money coming in 1969 from Rainier Brewing. Next he fought a grueling court battle and forced his brother to sell the family interest in Krug. Robert Mondavi used his share of the money to buy out Rainier's interest in his vineyard.

A confident 66-year-old Robert Mondavi grins, "The wonderful thing is we have no concern about what the outcome will be."—*Ellen Paris*

Does Robert McNamara really help to reduce the gap between rich and poor nations if he pushes the World Bank into overreaching?

Is the World Bank biting off more than it can chew?

By Ann Hughey

BY ANYBODY'S STANDARD—right, left or center—World Bank President Robert McNamara's mission is a worthy one: to alleviate global poverty. To do it, he has at his command 5,000 well-paid employees, backed by about $40 billion in capital and pledges from the bank's 134 member nations that he plans to push to $80 billion. He also has a freedom of action that would make most corporate chieftains green with envy and a relative freedom from surveillance by Congress that must make lesser bureaucrats sigh wistfully.

World Bank lending to developing nations has shot up to about $12 billion a year, 12 times what it was in 1968 when McNamara took over what is officially known as the International Bank for Reconstruction & Development. On top of this already explosive growth, a pending capital increase will allow lending to double in the Eighties. That would represent about 2,000% in growth in two decades.

We live in times when numbers like $12 billion no longer seem terribly imposing, especially when stacked up against the problems that McNamara is addressing. But the bank's clout extends far beyond the actual money it lends. Commercial bankers look to the World Bank and its sister institution, the International Monetary Fund, to keep Third World borrowers on the financial straight and narrow. If the World Bank decides to grant—or, more important, deny—a loan, the commercial banks, whose lending far outpaces the World Bank's, are much more likely to say "yes" or "no" along with it.

If, as many people believe, the gap between the rich and the poor nations could destroy civilization, then the role of the World Bank becomes even more important. Quite simply—and for all the U.N.'s posturing—the World Bank, with its long-term development lending, and the IMF, which concentrates on short-term balance-of-payments crises, are just about the only international institutions doing much that is practical about keeping the gap from growing greater. Says Munir P. Benjenk, a Turk who is the bank's vice president for external relations: "There is a dramatic worsening of the world economic situation, particularly the prospects for poor countries. We need to alert the world that something is going very wrong."

World Bank President Robert S. McNamara
He leads the bank in a crusade against world poverty, but critics question his management. Is he his own worst enemy?

Benjenk is, of course, right. Just when the poorer countries were beginning to make some progress against poverty, the Organization of Petroleum Exporting Countries pushed their heads und ter by increasing oil costs tenfold. neither OPEC nor the industrial n seem inclined to mount a rescue ation, the task is left to the comm banks and to the international fin institutions, of which the World B the largest. McNamara has not s from shouldering the task.

Poverty, however, does not nece yield to mere ministrations of and goodwill. Yet sometimes McN seems to act as if he thought it wou has plenty of critics both inside an side the bank; they claim McNam rushing too much money into p the bank doesn't really know how switching from its traditional and-mortar highways and power to fuzzier social programs like birt trol. "A population project that in the sexual habits of people in towns in the interior requires a experimental approach than cra out a power project," is the wa bank staffer explains the problem.

Somewhat like a go-go banke pushes his subordinates to create in sive numbers rather than sound McNamara sets high loan quotas a sists that they be met. It's not th poorer nations don't plenty of unfilled needs question is: How effecti the bank's projects in h generate the income an foreign exchange need pay back their costs?

Critics say McNamara gerness to lend money cuts the bank's ability t pose a measure of discipli the economic policies o rowing countries. "It's giving money to a drunk don't persuade him to less just by giving him money," says a bank of For example, the bank agree to lend to an oil-im ing country in return fo country's promise to holding down gasoline p Aware of the bank's des lend, the country later w on the understanding. bank then faces nasty p ity if it presses the countr hard, but is also reluctan withdraw a loan from a country in d ed need of money.

McNamara's autocratic manage style is said to stifle ideas and initi and has hurt staff morale. Massive for statistics—McNamara's passion time-wasters, some say. An unkind ic calls this "the body-count synd that served McNamara so badly in nam when he was Secretary of Defe

Does this matter? Isn't anything helps the poorer countries worth d

the result is an eventual loss of ing power by one of the few agen- pable of lending effective aid to s-developed world. "The bank is s presiding over the buildup of which will ultimately be de- ," reports a Congressional Re- Service study.

iring Japanese executive director rshly critical of McNamara's man- nt in a 1976 farewell speech. The *eet Journal* reported bungled proj- Indonesia in 1977. Criticism from S. Congress, which approves U.S. utions to the bank and its soft- iliate, the International Develop- Agency, has sharpened *(see box, p.* ecent reports by the Congression- arch Service and the surveys and gations staff of the House Appro- ns Committee also question how ely the bank operates.

er Treasury Secretary William Si- hard-line opponent of what he the bank's uncontrolled growth McNamara, still acidly tells how surprised when McNamara said *"You're* trying to run the World s if it were a financial institu- McNamara said it as a reproach, gly forgetful that he can only lend so long as he can persuade others him.

bank was set up in 1945 to lend n nations the money to rebuild. turned to lending to developing . Its International Development was set up in 1960 to provide -free loans to the poorest nations. rs the bank's loans were confined ects like railroads, highways and plants. This old-style lending was anied by great economic growth de the developing countries more ve for later infusions of private both foreign and domestic.

McNamara, fresh from his labors nam, embraced a so-called new-style approach. He has seemed almost obsessed with redistribution of income. He seems to have turned away from the concept of helping the poor by raising overall national economic standards. He seems to feel that dams and roads and ports and steel mills—which the bank still finances but tends to ignore in its rhetoric—may help the economy but they don't necessarily put extra food into the stomachs of the teeming poor. So, McNamara has shifted focus to loans for things like small-scale farm help, schooling, health, nutrition, birth control. Lately there have been bank loans to spur the search for energy in the poorer countries. Like a banker who is anxious to lend money, McNamara is pushing for more general purpose loans designed to, in the bank's words, "support programs that attempt to anticipate and avert economic crisis through economic reform and changes in investment priorities." But bank insiders worry lest the money will be used just to help pay oil bills.

Here are a few recent examples of World Bank loans:

- $37 million for a 105,000-hectare forestry project in India to provide firewood for 2.5 million people and employ 26,000 workers for five years.
- $42 million to help build 21 villages and 4,000 houses in Indonesia, plant 12,000 hectares with oil palms and food crops, build and upgrade 92 kilometers of road, provide health care for 20,000 people, schools for 8,000 children and create 10,200 jobs.
- $10 million to help the People's Republic of Benin (formerly Dahomey) develop industry. "The project will provide an opportunity for the government and the Beninese Development Bank to focus on industrial- and financial-sector issues and policies with a view to encouraging small manufacturing and artisan industries," the bank says.

But economic development is a messy and inexact art, and experts both inside the bank and out readily admit that no one really knows how to achieve it. Claims of progress in distant lands are hard to check on. A reporter remembers when a development agency—not the World Bank—sent hardy Brahmin cattle into a remote part of the Amazon basin to provide milk for children. Trouble was, the cattle were fierce-looking and feisty and no one dared milk them. But Brahmin cow manure has a reputation for nurturing one variety of psychedelic mushroom, and the area began to enjoy a minor vogue among young counterculture drifters. At least one local youngster found it profitable to guide visitors to mushroom-producing spots.

Concedes Warren Baum, the bank vice president in charge of quality control: "It's easier to fail in this kind of project. Everybody knows how to build a power plant but nobody knows much about rain-fed agriculture in the sub-Sahara." He adds that occasionally bank professionals find themselves asking the question: "Suppose I'm wrong by 50%. Is this project still justified?" Such projects frequently require lots of qualified supervisors, who are scarce in poor countries, so training becomes a part of the project.

ank-supported health and birth control clinic and irrigation project in India

armer assistance programs, nutrition, health care and birth control are among the bank's controversial new- evelopment projects. The trouble is that they are hard to administer and even harder to evaluate.

Then there's evaluation. "With a lot of this stuff, it's very hard to say the project works or it doesn't work. The more we move into the social realm, the harder it gets to have any kind of a yardstick," says a bank official.

Contrast this with the bank's older-type projects. It's hard enough to project what a new steel mill will do for the economy and how long it will take for the mill to earn back its cost. But fish ponds in small villages? Or an attempt to supplement protein in rural diets? The fact that the protein and the fish ponds are desirable does not necessarily make them proper projects for lending by a bank whose continued influence depends

425 HERENGRACHT:

WHAT MYSTERIES LIE WITHIN?

Newsweek Knows.

We know, because we have the research.

Great masses of it. From the Pan European Survey to Asian Profiles 2, with stops in the Middle East and the South Pacific.

In international homes all over the world, Newsweek International has been taking the measure of millions of men, learning what they buy, how much they earn, what they do, where they go, how they think, react, decide.

It's a leadership position we assumed early on: to serve the needs of international advertisers with meaningful research about their markets.

And we've been putting that important information into our unique and exclusive Newsweek International Data Center.

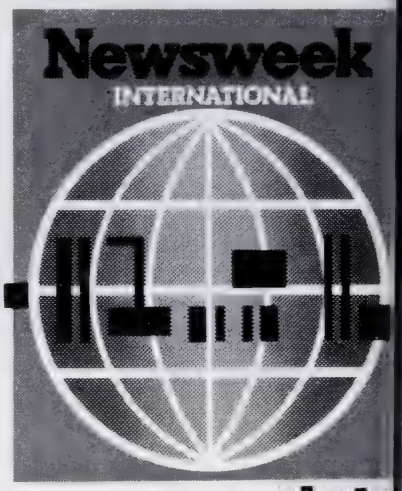
No other international medium has such a center, devoted exclusively to international media/marketing research projects.

The Pan European Survey, for example, is the first comprehensive study of European executives to set aside the limitations of national boundaries. And well it should, for these men—your market—move freely about Europe and the world.

The more you know about them—personally, professionally—the better able you are to market to them with efficiency and effect. And all you have to do is call your Newsweek International representative.

Week after week, Newsweek International goes home to some of the world's best addresses.

Year after year, we're learning more and more about the people who live there.



data
cente

SALES OFFICES: New York • Chicago • Los Angeles • San Francisco • London • Amsterdam • Frankfurt/Main • Geneva • Paris • Rome • Hong Kong • Manila • Sydney • Tokyo

Stake your land claim in colorful Colorado

A decade ago the publishers of Forbes Magazine began offering for sale a portion of their 260-square-mile Trinchera Ranch in five-acre minimum sections called Sangre de Cristo Ranches. Over 90% of that land has been purchased to date. Sangre's success exceeds all expectations.

Fifteen miles northeast of that area, deep in the heart of Forbes Trinchera country, is a spectacular alpine valley of unsurpassed beauty. This hidden mountain valley was once the hunting ground of Indians and later conquered by Conquistadores. It remains today almost as it was when man first saw it.

We've named it Forbes Park.

And now Forbes Inc., through its subsidiary Sangre de Cristo Ranches Inc., is inviting people who have a special appreciation for the beauty of nature and who want more out of life, to acquire a homesite in this beautiful mountain valley.

Cash prices range from $5,000 to $12,000. Easy credit terms are available.

Obtain the Property Report required by Federal law and read it before signing anything. No Federal agency has judged the merits or value, if any, of this property

Forbes Park is a completely private area surrounded by th San Isabel National Forest and the rangelands of the Trinchera Ranch. It is accessible year-round through a main gate restricting entrance to owners and their guests. Hunting is not permitted here, but many sports including fishing, cross-country skiing, boating, swimming, horseback riding, tennis and mountain climbing will be availabl in the recreational areas of the vast common acreage.

Starting immediately, you may purchase one or more acre for a mountain homesite where you will share with your neighbors the exclusive use of over 5,000 acres of common lands, including ponds, streams, woods, meadows and other recreational areas set aside for the enjoyment of Forbes Park land owners for all time.

For complete information, including pictures, maps, and full details on our liberal money-back and exchange privileges, without obligation, please fill in the coupon or card and mail to: Forbes Park, Box 303, Fort Garland, Colorado 81133.

KANSAS OFFEREES SHOULD OBTAIN A KANSAS PUBLIC OFFERING STAT MENT FROM THE DEVELOPER AND READ IT BEFORE SIGNING ANYTHIN THE SECURITIES COMMISSIONER OF KANSAS NEITHER RECOMMEND THE PURCHASE OF THE PROPERTY NOR APPROVES THE MERITS OF TH OFFERING

OBTAIN AN OKLAHOMA PUBLIC OFFERING STATEMENT AND READ BEFOR SIGNING ANYTHING.

4480

FORBES PARK

Development of
Sangre de Cristo Ranches Inc.
Box 303, Fort Garland, Colorado 81133

An offering statement filed with the New Jersey Real Estate Commission neither approves the offering nor in any way passes upon the merits and value of the property. Obtain the New Jersey Public Report and Broker's Release from the registered New Jersey broker and read it before signing anything. NJA102117CO

Name _____

Address _____

City _____ **State** _____ **Zip** _____

Telephone _____

Preferences: ☐ **$5,000** ☐ **$7,500** ☐ **Higher**

A statement and offering statement has been filed wth the Secretary of State of the State of New York. The filing does not constitute approval of the sale or lease or offer for sale or lease by the Secretary of State or any officer thereof or that the Secretary of State has in any way passed upon the merits of such offering. A copy of the offering statement is available, upon request, from Sangre de Cristo Ranches Inc., NYA77-432

ccess to world credit markets.
within the bank and without, s growing criticism of McNa- insistence on expanding the lending totals at the same time it s the scope of its lending.
78 bank staff association report nder the heading "Threats to the of Bank Work": "The assembly- proach to project preparation has ngly become the mode of oper- the bank. A growing number of embers . . . are discouraged and ted by what seems to be an over-

nk-supported energy and food projects: oil rig near Bombay and sorghum harvest in Upper Volta

OPEC oil prices are forcing the world's developing countries to search for their own energy sources at home and ore of their own food, since there is little foreign exchange left for food imports.

concern with forms and proce- ot with substance."
one World Bank manager: "We're Soviet factory. The push is to ze lending. The quantity-control ism means that in May and June the end of the fiscal year] the s to lend are enormous and a lot e spend sleepless nights wonder- they can unload projects. Our o influence projects in a way that ense is completely undermined."
ny good banker, the World Bank its borrowers to conduct their s in a prudent way so that the ceeds won't just be flushed down n. The World Bank commonly some type of economic reform rrowing countries in return for ng. For example, in the late Six- k pressure tied to a $70 million power-transmission loan to India forced Indian state electricity boards to jack up the rate of return on investment to a reasonable level. Bank pressures can be annoying, even humiliating and dangerous to the politicians in the poorer countries. A military coup overthrew the democratic Busia regime in Ghana in the early Seventies following the imposition of economic austerity measures demanded by the bank and IMF. These pressures do help guard against waste and inefficiency. But bank insiders complain that the bank's willingness to extract concessions from borrowers has declined.

In defense, bank Vice President Benjenk replies that the bank may have been too intransigent in past demands, creating resentment and foot-dragging that can torpedo a project. "In the old days, if we got 99%, we'd hold out for 100%. We're asking now how much harm is done if you took 80%," he says. Another bank official rebuts Benjenk, however: "You *never* got everything you wanted when you negotiated projects. The erosion is from 50% or 55%, to 35% or 40% of what you want."

McNamara can be all charm when he wants, but people who know him say that he's almost impossible to argue with—a difficult attribute for an executive of McNamara's hands-on management style. A critic within the bank says: "There's the illusion that he's very efficient. He's not. He gets involved in every little detail and decision. He filters information through his statistical approach to reality, and gets very upset by inconsistencies—large and small—in figures. He has a need to make the whole universe square statistically and he loses perspective."

The same official adds: "At the beginning his approach was very useful. He reopened every question and questioned everything. Now it is difficult to tell him to reopen questions. In fact it almost never happens. People who antagonize him or contradict him in meetings never have a chance to see him."

"Most operational staff, when approached informally, complain vehemently about management's obsessive concern for details and statistics," says the staff association report. Answers Vice President Benjenk: "You can't be the world's principal source of statistics on the underdeveloped world and reject the bureaucratic efforts necessary to produce them." Benjenk says the bank's annual world development report is used by governments as a tool of policymaking. Another bank official scoffs at this claim: "Nonsense. It's used to put on coffee tables in waiting rooms."

Criticism notwithstanding, the bank shows every sign of being in excellent financial shape. No nation has ever defaulted on a bank loan. Its bonds are rated

triple-A. Under the guidance of Vice President and Treasurer Eugene H. Rotberg, the bank makes money (an estimated $550 million for this fiscal year) on its investments and the difference between its money costs and loan rates.

But students of business know how frequently a company may seem in excellent shape when it is, in fact, riding for a fall. This can happen when a business grows faster than its organization and resources. The World Bank may be heading into such a situation.

Says former Treasury Secretary George Shultz, now vice chairman of the Bechtel Group: "It's impossible really to conceive that the World Bank could keep on growing that fast. Anytime you have an organization that grows very rapidly, it doesn't do it any harm to have a period of pausing and consolidation and getting itself settled in a little bit, and then undertake another period of growth."

Said retiring British Director W.S. Ryrie in his farewell statement: "I confess that I am doubtful whether the bank will be able to sustain through the 1980s the same rate of expansion it maintained through the 1970s without running the risk of serious trouble."

Also familiar to students of business is the situation where an incumbent boss expands full-blast and retires full of glory, only to hand his successor all the problems that have been obscured by the fast growth. McNamara, 63, has only three years left in his third term as bank president. Few expect him to stay on for another five-year term. Traditionally the World Bank president is an American chosen by the U.S. President, so the winner of the November election will presumably appoint McNamara's successor. The new man will have his hands full. "We need a Clark Clifford [the Washington lawyer who followed McNamara at the Defense Department] to come in and take some commonsense measures to deal with issues like the rate of bank growth and quality and the morale of the staff," says a bank manager.

That so much of the criticism cited in this article comes from *within* the bank suggests that McNamara's colleagues and subordinates do not have as exalted a perception of him as so much of the outside world does. McNamara himself was not interviewed for this article. Aides said that his travel schedule made an interview impossible. The cruelest thing that can be said about McNamara is that he may be a brilliant man without much common sense. An associate comes close to saying it: "The word 'development' affords almost unlimited scope for the broadening of activities. It can be defined to involve every facet of life, and that's marvelous for empire-building. But we do need to set some pretty clear limits." And McNamara's not one for limits. ■

The view from Capitol Hill

The big complaints heard around Capitol Hill have been that th World Bank is just another foreign aid rat hole, manned l overpaid international bureaucrats ensconced in a mink-lin Washington headquarters, riding first-class on airplanes and payi no U.S. income taxes. Worse, the bank has shelled out money folks we don't like, such as the Vietnamese.

None of this had any effect on U.S. contributions to the bank a its soft-loan affiliate, the International Development Agency (IDA until 1977. That was when Maryland Democrat Clarence Lo inherited the leadership of the House subcommittee handling t foreign aid bill.

Long began holding up and whittling down appropriations for t bank. He sharpened the criticism, questioning the bank's effectiv ness. Although U.S. payments to the IDA affiliate are now up date, for the bank itself Congress has approved less than half of t $1.56 billion U.S. share sought (of which 10%—$156 million— actually paid in to the bank, with the rest in callable capital). Ve much tied up in the Congress right now are bills that would auth rize $3.24 billion for IDA, to be paid over a three-year perio Without that money IDA will have to start curtailing operations July unless other donor nations provide temporary advances. Co ing up—after the fall election—is $600 million for the World Bank most recent capital increase, approved by the bank's governors la January.

Long, aided by ranking minority member C.W. (Bill) You (R–Fla.), has tried to keep a tighter rein over World Bank lendi policies, particularly to countries accused of human rights violation

The World Bank clearly resents these U.S. attempts to influen its lending policies. Says a bank official: "Long and Young compla that we don't follow the dictates of Congress. That's right. We are international organization and we don't accept funds tied to politic demands made by any member country. It's been an ongoing batt for years."

Maybe so, but it is significant that no loans to Vietnam have be approved recently, that salaries have been held down and first-cla air travel curtailed.

Says Representative Young: "The World Bank should recogni that it's an instrument of member countries, not a supersovereig organization answerable to no one. McNamara considers himself a internationalist, a citizen of the world, immune to U.S. rules."

McNamara, remembered less than fondly on the Hill for h Defense Department days, has not gotten much more popular sinc Says one House staffer: "McNamara manipulates numbers, pla games with the committee. He says he can't talk to a committ chairman and then meets with a freshman congressman to convin him the World Bank is wonderful. He's arrogant. They don't tru him—even the people who respect him don't trust him."

McNamara's defenders respond that he and the World Bank a simply easy targets for congressmen seeking headlines as watchdo on spending. The bank is a safe target and so is its boss—what wi his record on Vietnam and his intellectual pride. "My colleagues says Representative Young, "get a more favorable reception whe they call for reform of the World Bank than on any other topic."

But do the constituents really care what the World Bank doe "Very few at home are concerned," says Henry Reuss (D–Wis chairman of the House Banking subcommittee. "It's hard for t average citizen to see the relation between the cost of living at hom and our foreign policy."—*Beth Brophy*

Forbes

PECIAL ADVERTISING SECTION

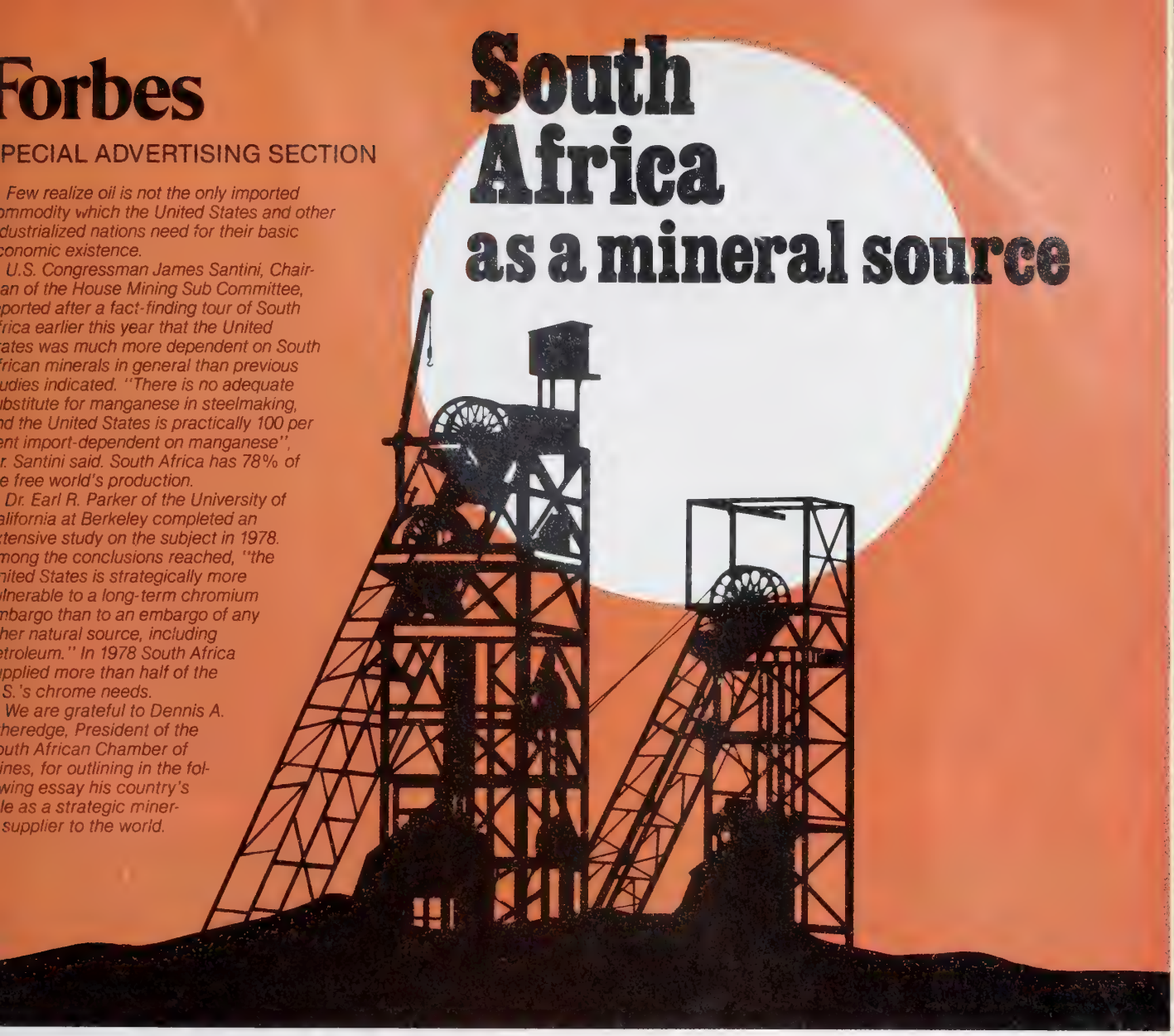
South Africa as a mineral source

Few realize oil is not the only imported ommodity which the United States and other dustrialized nations need for their basic conomic existence.

U.S. Congressman James Santini, Chairan of the House Mining Sub Committee, ported after a fact-finding tour of South rica earlier this year that the United ates was much more dependent on South rican minerals in general than previous udies indicated. "There is no adequate bstitute for manganese in steelmaking, nd the United States is practically 100 per ent import-dependent on manganese", r. Santini said. South Africa has 78% of e free world's production.

Dr. Earl R. Parker of the University of alifornia at Berkeley completed an tensive study on the subject in 1978. mong the conclusions reached, "the nited States is strategically more lnerable to a long-term chromium mbargo than to an embargo of any her natural source, including troleum." In 1978 South Africa pplied more than half of the S.'s chrome needs.

We are grateful to Dennis A. heredge, President of the outh African Chamber of ines, for outlining in the following essay his country's le as a strategic minersupplier to the world.



By Dennis A. Etheredge,
President
South African Chamber of Mines

The march of events in Africa and the idening gulf between East and West orldwide are giving a new dimension to e convergence of interest between the nited States and the Southern African gion with its abundant resources of stragic minerals. These resources are not nly of increasing importance to the West, ut they will provide in the years ahead—ssuming the overcoming of current conraints—the basis for the generation of ealth at a rate achieved only by the most dvanced areas of the world today.

South Africa ranks high among major roducers of minerals such as the United ates, Canada, Australia and Russia. It as the largest reserves in both the West nd the world at large as far as chrome, uorspar, gold, manganese, platinum roup metals and vanadium are conerned. South Africa also ranks among e top few in its supply of other strategic minerals such as uranium, antimony and asbestos.

The only major alternative source for most of these minerals is the Soviet Union. South Africa and the Soviet Union between them hold 95 per cent of the world's vanadium reserves, 94 per cent of its manganese, 90 per cent of its platinum group metals, 84 per cent of its chrome, 70 per cent of its gold, and an important proportion of other strategic minerals.

South Africa lacks only oil, the target of considerable exploration which so far has not yielded appreciable results, but which continues.

EXPORTS

The value of South Africa's mineral sales has increased more than sixfold in the past decade and its Minerals Bureau predicts a continuing high growth rate through the next decade. Largely as a result of higher gold prices the value of South African gold sales was up nearly 50 percent while the sales of platinum and base minerals rose in value by 34 per cent and total exports of these minerals by 40.9 per cent.

At present, for example, South Africa is enjoying the fruits of a strong demand for hedge metals like gold, platinum and diamonds. Higher prices for these metals have more than compensated for weaknesses resulting from the depressed world iron and steel industry. South Africa is also fortunate in possessing substantial reserves of the energy minerals: coal and uranium.

GROWTH

But South Africa's remarkable economic strength in a troubled world is not

Johannesburg

only based on the impressive upsurge in the price of gold and the rapid increase in exports of other minerals, but on a variety of other factors. Rising food production (rare in Africa), rich natural resources, an expanded economic infrastructure, effective Government control on spending and an emphasis on the role of free market forces helped promote sound development. South Africa is enjoying a growth rate of 4 per cent in real terms and it could reach 5 per cent plus by the end of the current year.

GOLD

The higher gold price expanded the total working revenue of gold mines by 46 per cent, from about $4.6 billion in 1978 to about $6.7 billion last year. Total profits rose by 70.6 per cent from about $2.5 billion to about $4.2 billion. The major portion of this profit accrued to the South African Government through tax and lease payments which went up by 81.7 per cent on the previous year. Dividends increased by 76.2 per cent and capital expenditure on producing mines went up by 53.7 per cent to about $825 million. This improvement in performance was achieved at an average gold price of $307 for 1979

Today the capital cost of bringing a gold mine to the production stage can range up to $500 million and more depending on its size and other factors. Anglo American has just announced extensions to Western Deep Levels, the deepest mine in the world, that will cost at least $850 million in 1980 money terms. Despite the higher gold price such steep capital costs obviously act as a deterrent to the expansion of existing mines, particularly those mining lower grade ore; and make the expense of reopening and re-equipping a defunct mine exorbitant.

Based on conservative estimates of likely economic factors, industry forecasts are that the present annual gold output of about 700 metric tons will be sustained through to about 1987. Thereafter a fall-off in output could result, declining to about half of present output by the turn of the century

ENERGY MINERALS

South Africa is particularly fortunate in being well endowed with the energy minerals, coal and uranium.

Coal is one of South Africa's most vital national resources. It is utilised in more than 90 per cent of electrical power generation. In recent years the coal mining industry has also established a thriving export trade. Last year coal production exceeded 100 million tons and revenue earned from sales abroad exceeded $1.2 billion—coal was second only to gold as a revenue earner.

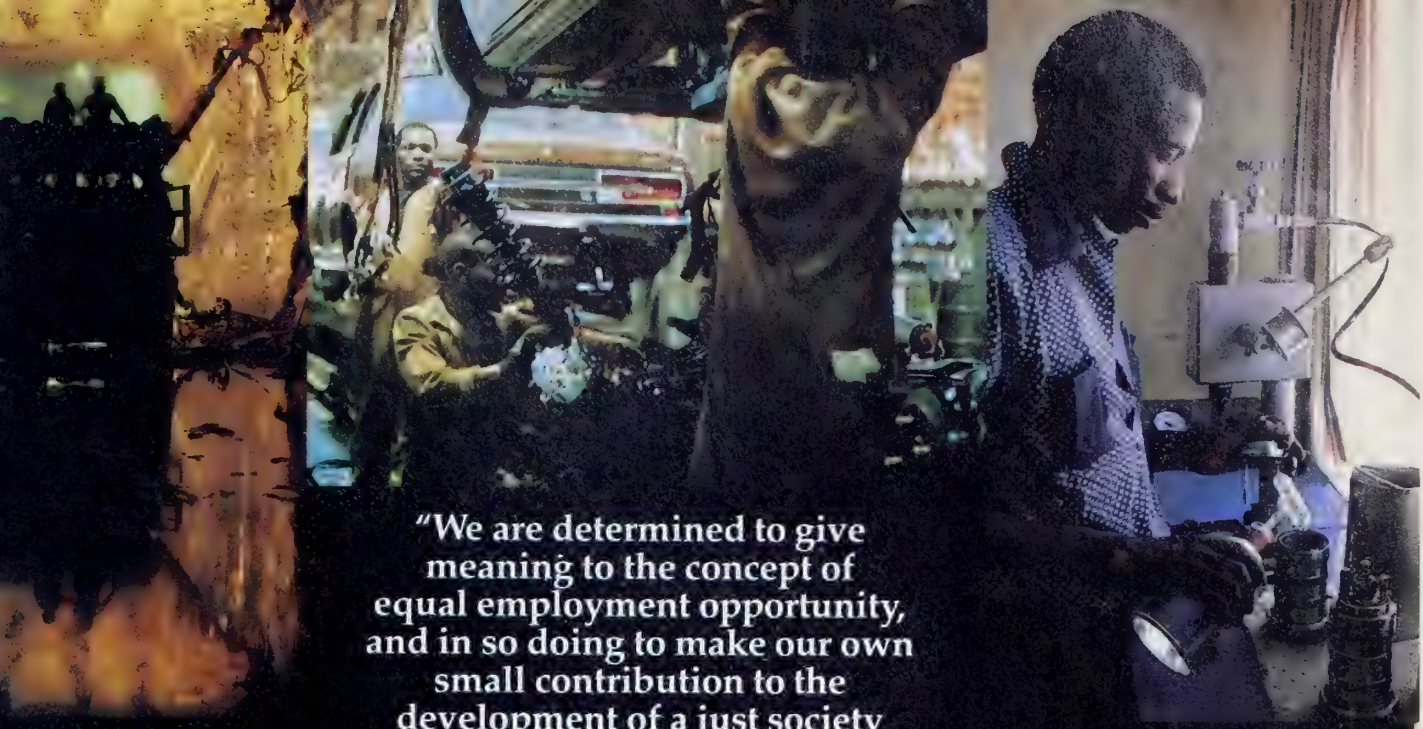
Coal exports increased fivefold in recent years, largely due to the construction of the deep sea harbour at Richards Bay on the east coast. Block trains capable of moving millions of tons a year from inland mines and sophisticated coal loading and

FINANCIAL STABILITY IS JUST ONE SIDE OF THE COIN

One of Barlow Rand's main strengths has always been its people. Dedicated people who have made Barlow Rand South Africa's foremost industrial group.
Since 1902 Barlows people have paved the way for continued growth and prosperity. In mining, manufacturing, commerce, property and agriculture.
Yes, financial stability is of vital importance. But it's only made possible by the other side of the coin – the 179 000 men and women that are Barlow Rand.

BARLOW RAND LIMITED

4680 LS-FCE



"We are determined to give meaning to the concept of equal employment opportunity, and in so doing to make our own small contribution to the development of a just society in South Africa"

Mr. H. F. Oppenheimer, Chairman
Anglo American Corporation of South Africa Limited

aac

© Transnational Gold Corporation Ltd

In the world of gold coins, here's why the Krugerrand stands out.

The Krugerrand stands apart because it was designed to meet the gold owner's requirements.

A Krugerrand contains exactly one troy ounce of pure gold. And it is also legal tender, minted by the South African Government.

A gold owner always knows what his Krugerrand is worth by checking the world gold-ounce price in the daily newspaper. And because it is the world's most popular gold coin, there exists a broad market for him to buy and sell them. In fact, over 30,000,000 have been sold.

If you want to be a gold coin collector, you should begin studying.

If you want to be a gold owner, you may begin.

Call 800-331-1753 Ext. 5221 Toll-Free for outlets in your area.

The Krugerrand

The world's best way to own pure gold.

Business with South Africa will pay off handsomely

The South African economy is internationally recognised as being fundamentally sound — quite apart from the advantages which arise from the present gold price. This is exactly the business climate which the discriminate American entrepreneur requires

South Africa has a wealth of basic materials: steel, many essential minerals, and a wide range of agricultural products — not to mention the country's abundant manpower, and rapidly developing industrial expertise. It is even a net exporter of energy!

Consequently there's much scope for good, sound business between the USA and South Africa. To find out more, talk to the IDC about

- Investment opportunities in South Africa
- The financing facilities available for the establishment or expansion of industries in South Africa
- Favourable financial facilities for the export of capital goods and services from South Africa

Contact:
The Secretary
Industrial Development Corporation of S.A. Ltd
Van Eck House
19 Rissik Street, Johannesburg, 2001
Republic of South Africa
Telephone 833-3711
Telex 8-7715 SA and 8-0137 SA

INDUSTRIAL DEVELOPMENT CORPORATION OF SOUTH AFRICA LIMITED · OMWIKKELINGSKORPORASIE VAN SUID-AFRIKA BPK · IDC

stacking facilities at Richards Bay make it possible to shift some 24 million tons last year. The coal export programme is being stepped up to almost double this figure

South Africa's electricity needs will more than double in a decade. Despite the construction of the Koeberg nuclear power station, near Cape Town, the country will continue to depend largely on coal for the generation of electricity.

Among recent developments have been the announcement by Amcoal of the opening of two new collieries at an estimated cost of $144 million, the announcement by Trans Natal Coal Corporation's Hlobane Colliery, of an expansion plan at a cost of between $84 and $96 million for the supply of coking coal to South Africa's Iron and Steel Corporation (Iscor) and the announcement by a consortium of General Mining, Trans Natal, Federal Mynbou and Sentrust of a feasibility study into the opening of two new collieries on the Springbok Flats—60 miles from Pretoria — at a capital cost estimated at $420 million a mine. The coal would be used for a proposed oil from coal project which together with the two mines would cost $1.44 billion.

COAL PROCESSING

Coal processing in South Africa is developing along three fronts: conversion to liquid fuel to lessen South Africa's dependence on imported oil; production of metallurgical coals and formed coke; and upgrading of low to medium grade bituminous coal to comply with export specifications. Coal gasification at Sasol I, II, and III projects will ultimately supply half the Republic's fuel needs. It is based on low grade coal of which ample reserves exist in South Africa.

On the whole South African coal is difficult to prepare for markets, but we have achieved great success in this respect and can comfortably meet export specifications. South Africa can rightly claim to be a world leader in both coal preparation and conversion.

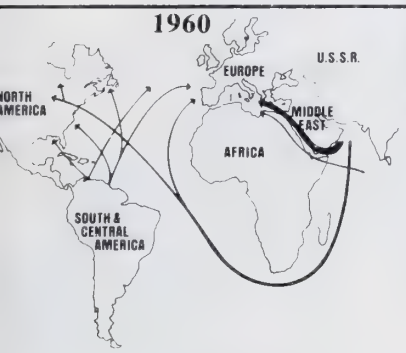
URANIUM

South African uranium production is essentially a co-product of gold mining. Taking advantage of an increased world demand and higher prices between 1974 and 1977, South Africa's uranium producers almost doubled its production from 2,902 metric tons in 1975 to 5,637 in 1979. In recent times, however, the demand has slackened. There are few opportunities for spot sales and signs of a

America needs to do *more* business with South Africa:

is a fact of current events and orld politics that The Republic of uth Africa is of increasing impor-nce to the strength of the Free orld, the vitality of the American onomy, and the operations of U.S. dustry. Some recent data makes e point evident:

OMPARATIVE OIL TRAFFIC



s the maps illustrate graphically, e import of foreign oil by Western ountries has made South Africa's eographic location a strategic key-one for the Free World. In 1978, is estimated, some 936 million ns of crude oil was transported ound the Cape of Good Hope sea oute.

SYNFUEL TECHNOLOGY

t a time when many American en-gy experts agree that the U.S. must ok to coal for its primary energy eeds, South Africa becomes a tech-ological resource. Years ahead in nfuel technology, South Africa is ow producing commercial oil-from-oal in two mammoth plants. With e completion of a third plant in

1983, South Africa will produce nearly 50% of its oil requirements from domestic coal. South Africa's oil-from-coal technology can be made available to American industry.

METALS & MINERALS

In 1978, South Africa supplied more than half of U.S. imports of platinum, chrome ore, ferromanganese, nearly 80% of ferrochrome, more than 80% of vanadium. South Africa is a bastion of metal and mineral reserves as indicated by the percentage of Western world reserves:

VANADIUM—90%
PLATINUM—89%
CHROME ORE—84%
MANGANESE—93%

Without chromium, for example, the machinery of American power and production would simply rust. Chromium is essential in energy generation. Any solution to the energy problem — coal gasification, breeder reactors or solar technology —would require the use and development of improved materials to resist high temperatures and pressures, abrasion and corrosion to ensure durability, reliability and long term performances, especially under radiation conditions. Stainless steel answers to all the above requirements and there is no substitute for chromium which is essential in the making of stainless steel. Allen G. Gray, technical director of the American Society of Metals stated it succinctly: "A cut-off of our chromium supply could be even more serious than a cut-off of our oil supply. We do have some oil, but we have almost no chromium." (TIME, January 21, 1980).

A friendly and stable South African government believes you should know the reasons why America needs to do more business with South Africa.

To know more, write to any South African information office in the U.S. or send this coupon:

The Deputy Consul-General
(Information)
South African Consulate-General
425 Park Ave.
New York NY 10022

The Consul (Information)
South African Consulate-General
444 N. Michigan Ave.
Chicago IL 60611

The West Coast Director
South African Information Service
1801 Century Park East
Los Angeles, CA 90067

The Consul (Information)
South African Consulate-General
1980 S. Post Oak Road
Houston, TX 77056

Republic of South Africa

Information Counselor,
South African Embassy
3051 Massachusetts Avenue, N.W.
Washington, D.C. 20008

Please send me more information:

NAME_____

TITLE_____

COMPANY_____

ADDRESS_____

CITY_____ STATE_____

ZIP_____

downturn in the price of uranium. Still it is generally expected that there will be a strong upsurge in demand during the 80s as more countries decide to resort to nuclear power.

DIAMONDS AND PLATINUM

Ever since the discovery of the first diamond in South Africa a century ago, this country has been the world's major producer of gem diamonds. Purchased largely as a hedge against increasing economic and political uncertainty gem diamonds continued to be in strong demand at higher prices. The value of South African diamond sales increased by nearly 17.8 per cent in 1979.

The Finsch mine in the Northern Cape has commenced a major expansion programme and the Primier mine in the Transvaal continues to be a large producer.

South Africa accounts for more than 91 per cent of the Western World's platinum and exports most of its production. Although producers raised their price in December 1979 by 10.5 per cent from $380 to $420 per fine ounce, this is still well below the current market price for platinum.

South Africa's platinum reserves, together with equally vast and geologically closely associated sources of chromium and vanadium represent probably the single most important regional concentration of strategic metals known.

INDUSTRIAL MINERALS—CHROME

South Africa has overtaken the Soviet Union as the world's largest producer of chrome ore. No reserve constraints exist and production capacity can be greatly and rapidly expanded to meet local and world demand.

VANADIUM

An important steel and alloying metal is vanadium. South Africa possesses nearly 90 per cent of non-Communist vanadium reserves and is, with a share of 68 per cent, the largest producer and exporter of vanadium in the world.

Also South African iron ore production has been expanding rapidly and exceeded 30 million tons last year. About half of these exports were channeled through a recently developed billion dollar rail and harbor link between Sishen and Saldanha Bay.

Known land-based manganese ore reserves are essentially concentrated in South Africa and the Soviet Union and to a lesser extent elsewhere in Africa, in Brazil, Australia and India. Recent assessments estimate South Africa's manganese reserves at more than 12 billion tons, representing more than 75 per cent of the world's reserves.

Although Russia is still the largest world producer, most of its manganese is locally consumed. Only 16 per cent is expected, mainly to the Communist countries. Production in South Africa is exported to overtake that of the Soviet Union in the early 80s.

NEW DEVELOPMENTS

In base minerals the major new developments are taking place in the North-Western Cape of South Africa where vast areas of mineral reserves have recently

South Africa... An Importer's Cornucopia

Take advantage, as so many are doing, of exceptional trading opportunities in The Republic of South Africa.

South Africa

Contact an office listed below. Your inquiry will receive our personal attention.

Deputy Consul General (Commercial)
South African Consulate General
425 Park Avenue, New York, NY 10022

The Consul (Commercial)
South African Consulate General
1980 S. Post Oak Rd., Suite 1520, Houston, TX 77056
444 N. Michigan Ave., Suite 3100, Chicago, IL 60611
120 Montgomery St., Suite 1600, San Francisco, CA 94104

You cannot separate "energy" and "crisis" – either in day's world or tomorrow's. While South Africa con- ues its search for oil, Sasol is expanding its highly ccessful oil-from-coal operations.

Starting from scratch in 1950, Sasol soon proved it uld produce oil from coal economically by declaring profit only five years after commissioning Sasol ne. This profitability has been handsomely increased er since.

Not only were formidable technological problems suc- ssfully overcome: economic viability was achieved hin the strict discipline of a profit-orientated free market vironment where cost efficiency and product quality e decisive.

Today, Sasol One is the only commercially proven oil- m-coal plant in the world. Sasol Two, costing more than billion, commenced production early in 1980. Sasol Three, announced in February 1979 and now under construction at an estimated cost of $4 billion, will complete the present expansion of Sasol's synfuel production capacity.

Together, these three plants will convert more than 32 million tons of low-grade coal per year into liquid fuels, pipeline gas and chemicals, bringing the goal of energy self-sufficiency significantly closer to reality.

These products will be produced at prices commercially competitive with those derived from crude oil – a unique achievement placing South Africa in the forefront of the urgent search for alternative energy sources.

Sasol – a proud pioneer in the successful application of tomorrow's technology to the energy needs of today.

Sasol

P.O. Box 1, Sasolburg, 9570, Republic of South Africa.

de Villiers and Company 72161

been discovered. At Aggeneys recoverable deposits of silver, lead, zinc and copper have been found and the Black Mountain mine has been established to produce lead with zinc and silver as by-products. A large zinc deposit has been located in the Gamsberg area

OUTLOOK

The outlook for the minerals industry is therefore more encouraging. However, in every country there are political, social and economic constraints to development in the industrial sector, and South Africa is certainly no exception. South Africa remains susceptible to fluctuations in the price of gold, although recent trends continue to show strong support for the metal at relatively high price levels.

Another possible constraint is a shortage in trained manpower. The country has a resource that is rare among industrialized nations — a great reservoir of underutilized people. But a very great deal of education and training has still to be undertaken before these people can be mobilized to overcome the shortage of skills that affects every aspect of industrial activity, and which if unalleviated must lead to abandonment or curtailment of expansion opportunities

Still South Africa is at present in the throes of changes in its society; changes which will drastically improve the position of its Blacks. Private enterprise can expect lifting of the last remaining barriers to the advancement of Black workers — the South African Government has committed itself to the dismantling of all vestiges of discrimination in the work place. A formidable task remains in overcoming the resistance of White trade unions to the movement of Black workers into skilled work traditionally reserved for Whites. An equally formidable task awaits the Government of gearing the educational structure to produce the men of all races to meet the plethora of job opportunities in the skilled, scientific, managerial and entrepreneurial manpower fields.

Fortunately, South Africa is already well advanced industrially and possesses the means to overcome its problems.

Nor should we forget South Africa's position and importance in Southern Africa, for the nations of this region, though independent, are nonetheless interdependent, belonging to a single economic unit. The nations of Southern Africa disagree on many issues, but I have no doubt that they are in fundamental agreement that they need above all at this time a period of peaceful progress to develop the quite spectacular natural reserves that are their common heritage

As South Africa's largest independent money market institution...

We are able to offer expert advice and contact throughout South Africa in the Government, Financial and Industrial arenas. The National Acceptances team has the knowledge to help ensure profitable investments, trade and access to industrial financing, together with back-up skills in both the London and Johannesburg money markets.

10th Floor Eagle Star House, cnr Sauer & Fox strs, Johannesburg 2001
P.O. Box 61651, Marshalltown, 2107, Telex: 8-0624. Telephone: 833-6946.

National Acceptances

umber of the 500 largest employers ed handsome profits per employee last Judge not their "reasonableness" before ing at the capital at work.

A scorecard on capital and labor

ERE IS FODDER for friends as well as emies of big business, most nota- y the oil companies, in the tables hey rank the nation's 500 largest rs and then rank them three other y sales, profits and assets per e. Not surprisingly, the top five in f profit per employee were oil es. Sohio led, with a profit of to show for each of the 22,100 people on its payroll; SoCal ($45,000), Getty ($41,100), Shell ($30,900) and Phillips Petroleum ($39,400). The median profit per employee for all 500 companies on the list was $3,100. The comparison makes a handy stick for those with a mind to beat up on the oil companies for all the money they have been making as the price of crude oil soared.

Those so minded may not be quick to point out, however, that to support those profits the same oil companies backed each of their employees with assets exceeding $400,000—an average of $401,940 per job, to be exact. That compares with a median figure of $45,000 in assets for all 500 companies. The median itself is biased on the high side by the inclusion of the comparatively huge assets in the hands of banks and insurance companies. Thus, Standard Oil of Ohio's $53,700 profit per employee was made possible by an investment of $416,700—a return of 13% on its total capital.

The top 500 employers loom no larger in the total employment picture. No smaller either. Last year the 500 accounted for nearly one in four jobs—22.3 million people in 1979, which was 23% of the 96.9 million at work (the same as in 1978 and 1977 and 1976).

These figures were as of the year's end in 1979. Clearly, it's a different economy this year. At the end of the first quarter some 6.5% fewer people were at work for General Motors, the second largest employer, and 9.8% fewer were working at Ford, number three.

Company	Employees (000)	Per Employee ($000) Sales (Rank)	Profits (Rank)	Assets (Rank)
merican Tel & Tel	1,029.9	44.1 (406)	5.5 (124)	110.5 (79)
General Motors	852.7	77.8 (172)	3.4 (222)	37.6 (302)
Ford Motor	494.6	88.0 (132)	2.4 (296)	47.5 (237)
Sears Roebuck	424.0	55.8 (306)	1.9 (352)	62.2 (160)
General Electric	405.0	55.5 (311)	3.5 (213)	41.1 (279)
Intl Tel & Tel	368.0	59.8 (278)	1.0 (440)	71.1 (134)
IBM	337.1	67.8 (228)	8.9 (61)	72.8 (126)
K mart	243.0	52.9 (341)	1.5 (394)	23.2 (428)
eneral Tel & Elec	226.8	43.9 (408)	2.8 (266)	81.2 (111)
Mobil	213.5	209.5 (26)	9.4 (56)	128.8 (70)
J C Penney	206.0	54.7 (322)	1.2 (418)	24.6 (415)
F W Woolworth	204.1	33.2 (464)	0.9 (446)	14.3 (483)
ited Technologies	197.7	45.8 (391)	1.6 (384)	32.5 (347)
nited States Steel	171.7	75.3 (183)	def (485)	64.2 (154)
Exxon	169.1	467.8 (5)	25.4 (11)	292.7 (44)
Goodyear	150.3	54.8 (320)	1.0 (440)	35.7 (316)
Safeway Stores	148.9	92.1 (116)	1.0 (440)	20.8 (445)
Vestinghouse Elec	145.3	50.5 (360)	2.3 (309)	46.9 (240)
E I du Pont	135.5	92.8 (111)	6.9 (95)	66.0 (146)
lf & Western Inds	127.2	41.6 (419)	1.8 (363)	40.6 (284)
Eastman Kodak	126.3	63.6 (248)	7.9 (72)	59.8 (169)
RCA	120.0	62.1 (255)	2.4 (296)	49.9 (224)
Kroger	118.4	76.3 (179)	0.7 (456)	15.0 (480)
Union Carbide	115.8	79.2 (168)	4.8 (149)	76.0 (120)
Xerox	115.7	60.7 (266)	4.9 (142)	56.6 (183)
Rockwell Intl	114.5	53.9 (330)	2.3 (309)	36.0 (314)
rated Dept Stores	112.5	51.6 (351)	1.8 (363)	29.3 (375)
Halliburton	112.1	69.3 (220)	3.4 (222)	35.0 (324)
ARA Services	112.0	17.9 (491)	0.5 (471)	7.7 (499)
Boeing	110.6	73.5 (198)	4.6 (157)	44.3 (257)

Rank	Company	Employees (000)	Per Employee ($000) Sales (Rank)	Profits (Rank)	Assets (Rank)
31	McDonald's	110.0	17.4 (494)	1.7 (372)	21.4 (439)
32	Chrysler	109.3	109.8 (79)	def (485)	60.9 (165)
33	Firestone	107.0	49.4 (367)	0.7 (456)	32.3 (351)
33	Tenneco	107.0	104.8 (88)	5.3 (131)	108.7 (81)
35	PepsiCo	105.0	48.5 (374)	2.5 (289)	27.5 (395)
36	TRW	97.9	46.6 (388)	2.0 (342)	26.8 (405)
37	Bethlehem Steel	97.7	73.1 (199)	2.8 (266)	52.9 (204)
38	Intl Harvester	97.7	85.9 (142)	3.8 (194)	53.7 (201)
39	Trans World	96.2	45.1 (399)	0.1 (483)	29.2 (376)
40	Honeywell	94.6	44.5 (404)	2.5 (289)	35.3 (319)
41	Consolidated Foods	94.5	50.0 (363)	1.2 (418)	22.1 (434)
42	Caterpillar Tractor	89.4	85.2 (145)	5.5 (124)	60.4 (167)
43	Beatrice Foods	88.0	94.2 (108)	3.3 (232)	45.2 (252)
44	Minn Mining & Mfg	87.7	62.0 (256)	7.5 (78)	52.2 (207)
45	Sperry	87.3	47.9 (379)	2.6 (283)	42.7 (267)
46	Texas Instruments	85.8	37.6 (446)	2.0 (342)	22.2 (433)
47	Schlumberger	85.0	41.8 (416)	7.7 (76)	51.5 (214)
48	McDonnell Douglas	82.7	63.8 (246)	2.4 (296)	40.9 (281)
49	W R Grace	82.1	64.1 (245)	2.7 (272)	45.4 (249)
50	General Dynamics	81.6	49.8 (364)	2.3 (309)	24.6 (415)
51	BankAmerica	81.0	116.7 (68)	7.4 (79)	1338.1 (7)
52	R J Reynolds Inds	79.5	89.7 (126)	6.9 (95)	80.8 (13)
53	Litton Industries	77.7	52.6 (345)	2.4 (296)	36.7 (309)
54	Household Finance	77.0	69.0 (223)	2.1 (326)	87.4 (103)
54	Singer	77.0	33.7 (463)	def (485)	19.3 (457)
56	Motorola	75.0	36.2 (453)	2.1 (326)	25.4 (410)
57	UAL	74.0	51.8 (350)	def (485)	52.2 (207)
58	Bendix	73.7	52.3 (347)	2.2 (318)	31.4 (362)
59	Ralston Purina	73.6	62.5 (253)	1.7 (372)	29.7 (372)
60	Johnson & Johnson	71.8	58.7 (288)	4.9 (142)	40.0 (290)

eficit.

The Employee Roster

Rank	Company	Employees (000)	Per Employee ($000) Sales (Rank)	Profits (Rank)	Assets (Rank)
61	May Dept Stores	71.2	41.8 (416)	1.6 (384)	29.6 (374)
62	Pan Am World Airways	69.4	35.8 (456)	1.1 (428)	38.6 (300)
63	City Investing	69.4	72.6 (202)	1.9 (352)	98.9 (89)
64	LTV	68.1	117.4 (67)	2.2 (318)	56.8 (182)
65	Raytheon	67.2	55.5 (311)	2.9 (257)	34.2 (337)
66	Burlington Inds	67.0	39.9 (431)	1.1 (428)	29.2 (376)
66	NCR	67.0	44.8 (402)	3.5 (213)	43.6 (263)
68	Lockheed	66.5	61.0 (263)	0.5 (471)	31.8 (356)
69	Texaco	65.8	582.8 (3)	26.7 (10)	349.4 (34)
70	Marriott	65.7	23.0 (487)	1.1 (428)	16.4 (475)
71	Deere	65.4	75.4 (182)	4.7 (153)	63.9 (157)
72	Philip Morris	65.0	94.5 (106)	7.8 (74)	98.1 (90)
73	IC Industries	65.0	57.5 (299)	1.6 (384)	55.7 (188)
74	General Mills	64.2	58.3 (292)	2.3 (309)	28.6 (384)
75	Textron	64.0	53.0 (339)	2.7 (272)	32.5 (347)
76	Monsanto	63.9	96.9 (99)	5.2 (134)	86.7 (104)
77	Owens-Illinois	63.8	55.3 (314)	2.1 (326)	45.6 (248)
78	American Stores	63.7	59.4 (280)	0.7 (456)	19.0 (458)
79	Great Atl & Pac Tea	63.0	106.1 (84)	def (485)	19.5 (453)
79	Lucky Stores	63.0	92.3 (115)	1.6 (384)	19.4 (455)
81	Continental Group	62.1	70.4 (213)	3.0 (252)	57.9 (176)
82	Warner-Lambert	61.0	52.7 (343)	2.0 (342)	47.1 (239)
83	J Ray McDermott	60.4	52.1 (349)	1.5 (394)	54.7 (193)
84	Procter & Gamble	59.0	158.1 (41)	9.8 (54)	96.0 (93)
85	Winn-Dixie Stores	58.7	84.0 (150)	1.6 (384)	14.6 (481)
86	Pillsbury	58.1	37.3 (449)	1.4 (404)	31.1 (365)
87	Eaton	57.8	58.1 (294)	2.7 (272)	40.8 (282)
88	Gulf Oil	57.6	415.1 (7)	23.0 (12)	299.7 (42)
89	Control Data	57.2	56.8 (303)	2.1 (326)	118.6 (74)
90	Burroughs	56.5	49.3 (369)	5.4 (128)	59.9 (168)
91	Southern Pacific	56.3	46.7 (387)	3.2 (239)	89.3 (99)
92	Burlington Northern	56.1	57.9 (296)	3.1 (247)	75.4 (122)
93	Borg-Warner	56.1	48.4 (376)	2.8 (266)	32.4 (349)
94	Dow Chemical	55.9	165.6 (35)	14.0 (32)	183.4 (57)
95	American Can	55.5	81.4 (158)	2.3 (309)	48.3 (232)
96	Dresser Industries	55.2	62.6 (252)	4.1 (181)	45.4 (249)
97	Armco	54.8	91.9 (118)	4.0 (186)	59.5 (171)
98	American Brands	54.7	69.0 (223)	6.3 (107)	67.1 (142)
99	Allied Stores	54.0	41.5 (421)	1.7 (372)	27.5 (395)
100	Emerson Electric	53.9	48.5 (374)	3.7 (200)	31.5 (361)
101	Carter Hawley Hale	53.0	45.4 (396)	1.3 (414)	27.9 (391)
101	Signal Companies	53.0	81.0 (160)	3.8 (194)	53.8 (200)
103	Greyhound	52.3	89.9 (125)	2.4 (296)	34.8 (330)
104	Standard Oil Ind	52.3	355.8 (11)	28.8 (7)	327.9 (35)
105	Hewlett-Packard	52.0	45.4 (396)	3.9 (190)	36.5 (311)
105	United Brands	52.0	66.7 (234)	0.4 (475)	23.4 (426)
107	Atlantic Richfield	51.8	313.4 (15)	22.5 (13)	267.1 (48)
108	Citicorp	51.6	211.3 (25)	10.5 (49)	2061.4 (5)
109	American Standard	50.8	47.9 (379)	2.6 (283)	28.0 (390)
110	American Home Prod	50.3	67.6 (229)	7.9 (72)	41.6 (276)
111	Associated Dry Goods	50.0	35.7 (457)	0.9 (446)	19.6 (451)
111	General Foods	50.0	109.5 (82)	4.6 (157)	51.3 (216)
111	Interco	50.0	40.5 (428)	2.1 (326)	24.8 (413)
111	Walter Kidde	50.0	45.7 (393)	1.7 (372)	30.8 (367)
115	International Paper	49.4	91.8 (119)	10.6 (48)	98.0 (91)
116	Allied Chemical	49.0	88.4 (130)	0.2 (479)	85.9 (1
117	Colgate-Palmolive	48.8	92.1 (116)	2.3 (309)	49.8 (2
118	Melville	48.6	41.6 (419)	2.1 (326)	15.9 (4
119	Rapid-American	48.0	48.2 (377)	0.7 (456)	33.1 (3
120	Weyerhaeuser	47.8	92.5 (113)	10.7 (47)	103.7 (
121	Teledyne	47.8	75.0 (186)	7.2 (85)	75.7 (1
122	Ingersoll-Rand	47.5	53.5 (334)	3.1 (247)	44.8 (2
123	Kraft	47.4	135.7 (55)	4.0 (186)	53.2 (2
124	Alcoa	46.8	102.3 (93)	10.8 (46)	100.7 (
125	FMC	46.2	71.6 (207)	3.3 (232)	52.7 (2
126	Levi Strauss	44.7	47.0 (385)	4.3 (170)	28.9 (3
127	Southland	44.3	87.0 (138)	1.5 (394)	30.9 (3
128	American Cyanamid	44.2	72.1 (204)	3.8 (194)	64.0 (1
129	Digital Equipment	44.0	41.0 (425)	4.1 (181)	42.3 (2
129	Georgia-Pacific	44.0	118.3 (65)	7.4 (79)	93.6 (
129	R H Macy	44.0	46.8 (386)	1.7 (372)	27.2 (3
132	Esmark	44.0	153.3 (43)	2.1 (326)	54.3 (
133	J P Stevens	43.9	41.8 (416)	1.1 (428)	23.7 (4
134	Castle & Cooke	43.7	36.5 (452)	0.7 (456)	26.9 (4
135	Combustion Engnrng	43.3	63.7 (247)	2.3 (309)	48.1 (2
136	Champion Intl	43.2	86.8 (139)	5.7 (120)	70.4 (
137	Northwest Industries	43.0	60.0 (273)	4.0 (186)	51.1 (
138	Uniroyal	42.9	60.0 (273)	def (485)	38.9 (
139	Republic Steel	42.7	93.4 (110)	2.8 (266)	64.4 (
140	Santa Fe Industries	42.6	60.0 (273)	5.3 (131)	91.2 (
141	Genl Tire & Rubber	42.2	54.4 (328)	1.9 (352)	42.6 (
142	B F Goodrich	42.2	70.8 (210)	2.0 (342)	49.3 (
143	H J Heinz	41.1	60.1 (272)	2.7 (272)	39.5 (
144	American Airlines	41.0	79.3 (166)	2.1 (326)	77.6 (
145	CPC International	41.0	90.2 (123)	4.4 (164)	50.4 (
145	Pfizer	41.0	67.0 (233)	5.8 (119)	74.4 (
145	Pullman	41.0	78.0 (170)	1.2 (418)	31.7 (
148	American Express	40.7	114.7 (71)	8.5 (65)	420.3 (
149	Conoco	40.5	312.3 (16)	20.1 (17)	229.9 (
150	Sun Company	40.1	266.0 (21)	17.5 (23)	186.0 (
151	Dayton Hudson	40.0	84.6 (148)	4.8 (149)	45.8
151	Hospital Corp of Am	40.0	22.5 (488)	1.4 (404)	26.9
151	IU International	40.0	65.5 (242)	1.7 (372)	55.7
154	Chessie System	39.9	46.6 (388)	3.0 (252)	85.7
155	Standard Oil Calif	39.7	754.3 (2)	45.0 (2)	455.8
156	Saga	39.5	16.6 (497)	0.0 (484)	4.6
157	Borden	39.3	109.7 (81)	3.4 (222)	62.7
158	Holiday Inns	39.3	28.3 (478)	1.4 (404)	31.2
159	Eastern Air Lines	38.9	74.1 (194)	1.5 (394)	63.1
160	CBS	38.7	94.8 (105)	5.2 (134)	56.3
161	Coca-Cola	38.6	128.5 (58)	10.9 (45)	76.1
162	Denny's	38.2	16.3 (499)	0.7 (456)	10.8
162	PPG Industries	38.2	80.9 (162)	5.7 (120)	69.4
164	McGraw-Edison	38.0	35.0 (459)	1.9 (352)	50.6
164	Nabisco	38.0	62.2 (254)	2.6 (283)	34.1
166	Campbell Soup	38.0	59.2 (284)	3.5 (213)	34.9
167	Reynolds Metals	37.6	87.9 (133)	4.7 (153)	77.7
168	Aetna Life & Cas	37.5	305.3 (17)	14.9 (30)	806.1
169	Emhart	37.5	42.0 (414)	1.4 (404)	25.7
170	North Amer Philips	37.4	64.4 (244)	2.2 (318)	34.5

def Deficit.

"HASTE MAKES LESS WASTE."

Stephen Winn, President
Fast-Tax (Computer Language Research, Inc.)
Dallas, Texas

Stephen Winn heads one of the most aptly named organizations in America.

Fast-Tax is a computer company that processes taxes. Fast.

Hundreds of thousands of income tax returns are sent here from prominent accounting firms all over the world. And Fast-Tax processes them at speeds of up to a million pages a day.

What's amazing about Fast-Tax isn't that it's so efficient or so fast—but rather that it's both at the same time.

How do they do it? With the help of over 1100 hard-working employees, computers, and Xerox 9700 electronic printing systems.

All incoming tax information is fed into a computer. The Xerox system takes this information and, using laser beams, does the staggering job of accurately printing all the returns.

It not only selects and prints the proper forms, but actually fills them out at the same time. It makes the necessary number of sets, and even collates them automatically. All this in a fraction of the time, space, and effort it would take otherwise.

Which enables Fast-Tax to manage information the way it should be managed.

With a minimum of waste. And a maximum of haste.

XEROX

XEROX® and 9700 are trademarks of XEROX CORPORATION

The Employee Roster

Rank	Company	Employees (000)	Per Employee ($000) Sales (Rank)	Profits (Rank)	Assets (Rank)
171	Inland Steel	37.3	97.5 (98)	3.5 (213)	73.1 (125)
172	Seaboard Coast Line	37.3	58.3 (292)	3.6 (206)	91.2 (95)
173	Norton Simon	37.0	73.1 (199)	3.4 (222)	64.6 (152)
173	Sambo's Restaurants	37.0	15.4 (500)	def (485)	12.4 (488)
175	National Steel	36.5	116.0 (69)	3.5 (213)	86.6 (105)
176	Dana	36.5	75.6 (181)	4.5 (161)	48.1 (233)
177	Gould	36.4	55.7 (308)	2.9 (257)	44.3 (257)
178	Shell Oil	36.4	396.5 (8)	30.9 (4)	443.0 (25)
179	Kennecott Copper	36.2	67.2 (232)	3.6 (206)	76.9 (117)
180	Humana	35.9	25.8 (483)	1.1 (428)	33.2 (343)
181	Boise Cascade	35.7	81.7 (156)	4.9 (142)	64.7 (151)
182	INA	35.3	128.9 (57)	6.9 (95)	254.6 (50)
183	Delta Air Lines	34.5	70.4 (213)	4.0 (186)	51.8 (210)
184	Avon Products	34.3	69.3 (220)	7.3 (84)	41.0 (280)
185	Occidental Petroleum	34.2	279.4 (19)	16.4 (28)	162.6 (59)
186	Bristol-Myers	34.0	81.0 (160)	6.8 (98)	56.5 (185)
187	Gillette	33.9	58.5 (290)	3.3 (232)	45.1 (253)
188	Jewel Companies	33.4	112.7 (74)	1.5 (394)	30.3 (369)
189	Celanese	33.3	94.5 (106)	4.2 (173)	71.5 (131)
190	Fruehauf	33.1	74.1 (194)	2.7 (272)	45.3 (251)
191	White Consolidated	33.1	60.7 (266)	1.9 (352)	35.1 (322)
192	Baxter Travenol Labs	33.0	36.1 (455)	3.4 (222)	39.1 (296)
193	Penn Central	32.9	33.0 (466)	1.7 (372)	163.9 (58)
194	Union Pacific	32.9	121.3 (62)	11.6 (43)	154.6 (62)
195	Chase Manhattan	32.5	187.1 (31)	9.3 (57)	1991.0 (6)
196	Johns-Manville	32.5	70.3 (215)	3.5 (213)	71.5 (131)
197	Natl Semiconductor	32.3	22.3 (489)	1.1 (428)	11.9 (490)
198	Colt Industries	32.1	66.7 (234)	3.5 (213)	40.5 (287)
199	Ogden	32.0	70.0 (216)	1.8 (363)	37.5 (303)
200	Revlon	31.9	53.9 (330)	4.8 (149)	46.1 (244)
201	Crown Zellerbach	31.6	88.7 (128)	4.2 (173)	68.4 (138)
202	Dart Industries	31.2	77.0 (174)	5.5 (124)	61.1 (164)
203	St Regis Paper	31.1	80.3 (163)	5.1 (139)	72.7 (127)
204	Hilton Hotels	31.0	16.6 (497)	3.2 (239)	20.5 (448)
204	Quaker Oats	31.0	63.4 (249)	2.7 (272)	36.5 (311)
206	Kimberly-Clark	30.8	72.0 (205)	10.2 (50)	68.3 (139)
207	Merck	30.8	77.4 (173)	12.4 (38)	84.9 (108)
208	Amer Hospital Supply	30.7	66.4 (237)	3.6 (206)	41.6 (276)
209	Phillips Petroleum	30.3	313.6 (14)	29.4 (5)	281.1 (45)
210	Corning Glass Works	30.2	47.1 (384)	4.1 (181)	45.9 (245)
210	Martin Marietta	30.2	68.2 (226)	5.9 (116)	58.7 (174)
212	Blue Bell	30.0	34.3 (462)	2.2 (318)	22.6 (431)
213	United Telecom	29.6	60.5 (270)	6.2 (109)	130.8 (69)
214	Loews	29.4	130.3 (56)	6.2 (109)	300.8 (41)
215	Allis-Chalmers	29.3	67.3 (231)	2.8 (266)	51.6 (211)
216	Travelers	29.3	269.2 (20)	13.2 (35)	653.9 (15)
217	Ashland Oil	29.2	221.7 (23)	18.0 (21)	106.6 (83)
218	AMF	29.1	49.4 (367)	1.8 (363)	32.3 (351)
219	Western Bancorp	29.1	92.4 (114)	7.0 (92)	1020.2 (11)
220	Transamerica	29.0	139.5 (52)	8.2 (68)	275.3 (47)
220	Zayre	29.0	53.4 (336)	0.6 (467)	18.0 (463)
222	Northrop	28.8	54.9 (318)	3.1 (247)	34.4 (332)
223	SCM	28.6	61.3 (261)	1.7 (372)	34.3 (334)
224	Morrison-Knudsen	28.5	47.9 (379)	0.9 (446)	22.0 (436)
225	American Motors	28.4	109.8 (79)	2.4 (296)	39.6 (291)
226	Brunswick	28.0	44.9 (401)	1.8 (363)	35
226	Grumman	28.0	52.7 (343)	0.7 (456)	28
226	Sunbeam	28.0	47.2 (382)	1.7 (372)	29
226	Supermarkets General	28.0	84.7 (146)	0.8 (451)	18
226	Walgreen	28.0	48.0 (378)	1.1 (428)	14
231	Abbott Laboratories	27.8	60.5 (270)	6.4 (104)	62
232	Howard Johnson	27.6	20.9 (490)	1.2 (418)	17
233	Avco	27.1	71.3 (208)	4.7 (153)	195
234	Chromalloy American	27.0	56.9 (301)	1.9 (352)	35
235	Sterling Drug	27.0	55.6 (309)	4.1 (181)	42
236	Squibb	27.0	53.8 (333)	4.6 (157)	66
236	Stop & Shop	27.0	69.6 (217)	0.6 (467)	16
238	Pacific Gas & Elec	26.9	162.5 (39)	17.0 (24)	38
239	Merrill Lynch	26.9	76.3 (179)	4.4 (164)	392
240	Kaiser Alum & Chem	26.8	109.2 (83)	8.7 (62)	111
241	Southern Company	26.5	118.0 (66)	8.3 (67)	398
242	Genesco	26.5	37.5 (448)	0.2 (479)	1
242	Eli Lilly	26.5	83.2 (152)	12.4 (38)	8
244	Cooper Industries	26.5	52.6 (345)	4.2 (173)	5
245	Beneficial Corp	26.4	87.7 (134)	3.8 (194)	31
246	Owens-Corning Fbrgls	26.3	85.4 (144)	4.2 (173)	5
247	General Signal	26.2	51.3 (354)	3.2 (239)	3
248	Brown Group	26.0	44.0 (407)	1.6 (384)	1
248	Time Inc	26.0	96.3 (100)	5.5 (124)	8
250	Schering-Plough	25.9	55.4 (313)	8.6 (63)	6
251	Norton	25.4	44.6 (403)	3.2 (239)	3
252	Albertson's	25.3	105.7 (86)	1.5 (394)	2
253	Jim Walter	25.2	76.7 (177)	3.9 (190)	8
254	Pitney Bowes	25.2	40.7 (427)	2.5 (289)	3
255	Lear Siegler	25.1	52.9 (341)	2.5 (289)	2
256	GK Technologies	25.0	45.6 (394)	2.4 (296)	2
256	Mead	25.0	102.8 (91)	5.6 (123)	6
258	Heublein	24.9	52.3 (347)	2.7 (272)	3
259	Whirlpool	24.7	91.5 (121)	4.5 (161)	4
260	Norfolk & Western Ry	24.4	59.4 (280)	8.1 (70)	11
261	Hercules	24.4	96.1 (102)	7.1 (89)	7
262	Dun & Bradstreet	24.3	39.2 (434)	3.7 (200)	2
263	Consol Freightways	24.3	70.8 (210)	2.7 (272)	3
263	Johnson Controls	24.3	42.2 (412)	2.1 (326)	2
265	Times Mirror	24.3	67.4 (230)	6.0 (114)	5
266	Jack Eckerd	24.0	55.2 (315)	2.5 (289)	2
267	General Instrument	24.0	29.9 (474)	2.1 (326)	2
268	Cummins Engine	23.8	74.4 (191)	2.4 (296)	4
269	Armstrong Cork	23.8	56.3 (304)	2.8 (266)	3
270	Zenith Radio	23.8	45.2 (398)	0.8 (451)	2
271	Timken	23.8	53.9 (330)	4.3 (170)	3
272	Standard Brands	23.6	110.7 (76)	3.7 (200)	5
273	Fluor	23.5	150.8 (46)	4.2 (173)	5
274	West Point-Pepperell	23.4	43.3 (411)	1.2 (418)	2
275	Scovill	23.3	40.4 (429)	1.4 (404)	2
276	Security Pacific	23.3	104.6 (89)	7.0 (92)	106
277	Continental Corp	23.2	140.2 (51)	12.4 (38)	32
278	Cannon Mills	23.2	26.2 (482)	1.6 (384)	1
279	Campbell Taggart	23.2	43.4 (410)	1.4 (404)	1
280	Consolidated Edison	23.1	144.3 (48)	14.0 (32)	30

def Deficit

Company	Employees (000)	Per Employee ($000) Sales (Rank)	Profits (Rank)	Assets (Rank)
NL Industries	23.0	78.7 (169)	3.7 (200)	69.0 (137)
Carnation	22.7	124.5 (59)	6.1 (111)	65.4 (149)
Missouri Pacific	22.6	87.7 (134)	8.0 (71)	106.7 (82)
Amfac	22.6	74.8 (189)	2.5 (289)	47.4 (238)
ımerican Elec Power	22.6	124.5 (59)	11.5 (44)	388.5 (31)
Springs Mills	22.5	36.8 (451)	1.6 (384)	24.2 (420)
Standard Oil Ohio	22.1	358.2 (10)	53.7 (1)	416.7 (27)
U S Industries	22.0	57.9 (296)	2.3 (309)	39.6 (291)
Cluett, Peabody	21.9	31.1 (470)	0.8 (451)	17.8 (465)
Gamble-Skogmo	21.9	93.7 (109)	1.4 (404)	49.2 (229)
Clark Equipment	21.8	79.7 (165)	4.9 (142)	48.8 (230)
Roadway Express	21.8	50.2 (362)	2.6 (283)	23.6 (425)
Olin	21.7	81.9 (155)	3.3 (232)	67.3 (141)
United States Shoe	21.7	38.3 (438)	1.3 (414)	20.7 (447)
Wal-Mart Stores	21.6	59.9 (277)	1.9 (352)	21.2 (443)
Southern Railway	21.6	67.9 (227)	7.4 (79)	133.7 (68)
Hoover	21.5	35.1 (458)	1.8 (363)	22.8 (430)
Tektronix	21.3	36.9 (450)	3.6 (206)	30.2 (370)
Square D	21.2	39.0 (435)	3.4 (222)	26.6 (406)
Mfrs Hanover	21.2	181.4 (33)	10.0 (51)	2248.8 (4)
Koppers	21.1	86.6 (140)	4.1 (181)	53.9 (198)
Upjohn	21.1	71.7 (206)	7.1 (89)	66.5 (143)
Black & Decker	21.0	57.4 (300)	4.5 (161)	43.4 (265)
Walt Disney	21.0	37.9 (442)	5.4 (128)	57.0 (180)
Gannett	21.0	50.7 (357)	6.4 (104)	50.0 (223)
Crane	21.0	74.9 (188)	2.6 (283)	49.6 (226)
Kellogg	20.8	88.8 (127)	7.8 (74)	50.5 (221)
Scott Paper	20.8	91.7 (120)	6.6 (102)	88.0 (100)
Edison Bros Stores	20.7	38.3 (438)	2.2 (318)	17.4 (471)
Becton, Dickinson	20.6	39.3 (432)	3.0 (252)	35.4 (317)
Cessna Aircraft	20.5	45.8 (391)	2.2 (318)	27.5 (395)
ıited States Gypsum	20.3	75.1 (185)	6.1 (111)	51.6 (211)
Parker-Hannifin	20.2	41.9 (415)	2.5 (289)	27.8 (393)
Duke Power	20.1	74.3 (192)	13.7 (34)	279.9 (46)
AM International	20.0	37.7 (444)	0.5 (471)	27.2 (399)
First Natl Supermkts	20.0	55.6 (309)	0.2 (479)	11.7 (491)
Hart Schaff & Marx	20.0	31.5 (468)	1.1 (428)	17.5 (469)
Ramada Inns	20.0	17.4 (494)	0.8 (451)	31.6 (359)
Tandy	20.0	60.8 (265)	4.2 (173)	30.5 (368)
Dillon Companies	19.9	90.1 (124)	1.7 (372)	19.5 (453)
Libbey-Owens-Ford	19.9	60.7 (266)	2.9 (257)	42.4 (271)
egheny Ludlum Inds	19.9	77.9 (171)	3.6 (206)	57.3 (178)
Mercantile Stores	19.6	54.5 (326)	2.2 (318)	29.9 (371)
Chesebrough-Pond's	19.4	60.7 (266)	4.3 (170)	40.7 (283)
ımerican Intl Group	19.4	120.0 (63)	11.9 (41)	295.2 (43)
Harris Corp	19.4	50.6 (358)	3.3 (232)	42.4 (271)
Ryder System	19.4	75.0 (186)	3.2 (239)	79.2 (114)
Fuqua Industries	19.4	106.0 (85)	3.4 (222)	47.7 (235)
Baker International	19.0	61.5 (258)	5.2 (134)	59.1 (172)
Continental Tel	19.0	59.7 (279)	6.0 (114)	155.0 (61)
National Svc Inds	18.8	37.7 (444)	2.1 (326)	18.0 (463)
Rexnord	18.7	54.0 (329)	3.1 (247)	37.4 (304)
MCA	18.7	72.4 (203)	7.4 (79)	121.8 (72)
AMP	18.6	54.5 (326)	6.5 (103)	44.3 (257)
Cities Service	18.5	339.3 (12)	18.8 (19)	258.0 (49)

Deficit

Rank	Company	Employees (000)	Per Employee ($000) Sales (Rank)	Profits (Rank)	Assets (Rank)
335	Diamond Intl	18.5	69.4 (219)	3.3 (232)	44.3 (257)
335	Evans Products	18.5	80.1 (164)	3.4 (222)	42.6 (268)
335	Wickes	18.5	113.3 (72)	2.1 (326)	47.6 (236)
339	VF	18.5	29.4 (475)	2.1 (326)	17.6 (467)
340	United Merch & Mfrs	18.4	38.0 (441)	0.8 (451)	29.1 (379)
341	Polaroid	18.4	74.0 (196)	2.0 (342)	67.6 (140)
342	ENSERCH	18.4	121.6 (61)	5.1 (139)	102.3 (87)
343	G D Searle	18.3	49.1 (371)	4.8 (149)	61.8 (162)
344	Zale	18.2	49.7 (366)	2.4 (296)	33.5 (340)
345	SmithKline	18.1	74.6 (190)	12.9 (36)	66.1 (145)
346	G C Murphy	18.0	42.1 (413)	0.6 (467)	16.0 (477)
347	Anchor Hocking	18.0	43.6 (409)	1.8 (363)	28.7 (383)
348	Scott & Fetzer	17.9	39.0 (435)	1.9 (352)	22.1 (434)
349	Anderson, Clayton	17.9	83.2 (152)	2.7 (272)	41.2 (278)
350	Foremost-McKesson	17.7	187.2 (30)	3.3 (232)	64.1 (155)
351	Leaseway Transportn	17.6	53.3 (336)	2.4 (296)	44.6 (255)
352	Stanley Works	17.5	49.8 (364)	2.9 (257)	32.8 (345)
353	Anheuser-Busch Cos	17.5	158.6 (40)	8.2 (68)	110.1 (80)
354	Chemical New York	17.5	188.1 (29)	7.7 (76)	2250.0 (3)
355	Wells Fargo	17.5	115.3 (70)	7.1 (89)	1176.7 (8)
356	AMAX	17.4	164.7 (37)	21.0 (14)	226.2 (53)
357	Alco Standard	17.1	112.1 (75)	2.9 (257)	40.5 (287)
358	A C Nielsen	17.1	23.3 (486)	1.5 (394)	16.4 (475)
359	Kellwood	17.0	30.7 (472)	0.3 (476)	17.7 (466)
359	Louisiana-Pacific	17.0	76.6 (178)	6.3 (107)	64.8 (150)
361	Union Oil California	17.0	445.2 (6)	29.4 (5)	353.7 (33)
362	Yellow Freight System	16.9	51.1 (356)	1.2 (418)	28.9 (380)
363	Food Fair	16.9	59.2 (284)	def (485)	39.0 (297)
363	Macmillan	16.9	31.3 (469)	def (485)	28.4 (387)
365	Ex-Cell-O	16.9	56.9 (301)	3.2 (239)	36.6 (310)
366	Sherwin-Williams	16.9	70.8 (210)	1.1 (428)	41.7 (275)
367	A-T-O	16.8	41.1 (423)	1.0 (440)	28.5 (385)
368	Lincoln National	16.6	147.3 (47)	9.6 (55)	468.1 (19)
369	Crocker National	16.6	95.1 (104)	7.0 (92)	972.2 (13)
370	Amer Natl Resources	16.5	151.9 (44)	7.2 (85)	238.1 (51)
371	Union Camp	16.4	84.7 (146)	9.2 (58)	87.8 (101)
372	Commonwlth Edison	16.4	165.9 (34)	18.1 (20)	559.3 (16)
373	M Lowenstein	16.4	39.3 (432)	def (485)	21.4 (439)
374	Foster Wheeler	16.4	100.9 (94)	2.9 (257)	54.6 (194)
374	Mohasco	16.4	45.6 (394)	0.5 (471)	25.8 (408)
376	Marshall Field	16.2	55.8 (306)	1.2 (418)	34.9 (327)
377	Harsco	16.2	58.4 (291)	3.2 (239)	35.4 (317)
377	Purolator	16.2	29.2 (476)	1.1 (428)	13.6 (485)
379	Akzona	16.1	62.9 (251)	1.6 (384)	50.8 (219)
380	Crown Cork & Seal	16.1	87.1 (136)	4.4 (164)	51.4 (215)
381	Amer Medical Intl	16.0	28.1 (480)	1.6 (384)	26.9 (404)
381	Champion Spark Plug	16.0	50.4 (361)	3.6 (206)	38.2 (301)
381	Dan River	16.0	36.2 (453)	1.4 (404)	21.9 (437)
381	Ethyl	16.0	103.6 (90)	6.1 (111)	71.4 (133)
381	National Kinney	16.0	17.8 (492)	def (485)	8.4 (498)
381	Revco D S	16.0	58.0 (295)	2.1 (326)	19.6 (451)
381	SCOA Industries	16.0	55.0 (317)	1.9 (352)	19.0 (458)
381	Wheelabrator-Frye	16.0	59.2 (284)	2.7 (272)	40.6 (284)
389	Mattel	15.9	50.6 (358)	1.9 (352)	34.4 (332)
390	Westvaco	15.9	77.0 (174)	4.9 (142)	65.6 (147)

Government ~~of the people, by the people, for the people,~~ shall not perish...

When Lincoln mourned at Gettysburg, he pleaded for the preservation of a fragile thread of government struggling to connect the diverse interests of the nation.

Today, our government is hardly a fragile thread. With more than 400 federal agencies writing 25,000 new regulations each year, it's more like a ball of twine that totally surrounds, binds and touches upon every aspect of our lives.

Lincoln would be pleased to see that the men at Gettysburg did not die in vain; that in fact the union has survived.

But we think that he would speak out to warn the people for whom this government was founded and preserved that they are about to lose control of it. To the un-elected and unchecked bureaucracy it has spawned.

Let us dedicate ourselves to insuring that Lincoln's union survives in the manner he intended. That his words are not deleted by some federal agency to conform to the latest government regulation.

Inspector gages turret clearance of W-305(turret punch press on assembly floor. A prod uct of the Wiedemann Division, King o Prussia, PA, the W-3050 features 30-to punching capacity with a hit rate of 175 pe minute.

WARNER & SWASEY

Productivity equipment and systems in machine tools, textile and construction machiner

© 1979 THE WARNER & SWASEY COMPANY Executive Offices 11000 Cedar Avenue, Cleveland, Ohio 44106

The Employee Roster

Company	Employees (000)	Per Employee ($000) Sales (Rank)	Profits (Rank)	Assets (Rank)
EG&G	15.8	33.1 (465)	1.3 (414)	10.2 (495)
Braniff Intl	15.7	85.8 (143)	def (485)	72.3 (128)
National Distillers	15.7	112.9 (73)	8.6 (63)	106.0 (84)
endy's International	15.6	17.4 (494)	1.5 (394)	11.1 (493)
Pittston	15.6	105.6 (87)	3.5 (213)	76.2 (118)
Arcata	15.4	37.6 (446)	2.0 (342)	36.8 (307)
Sundstrand	15.4	54.7 (322)	4.4 (164)	45.9 (245)
Sybron	15.3	47.3 (382)	1.5 (394)	33.5 (340)
GAF	15.3	79.3 (166)	1.8 (363)	54.6 (194)
ic & North Western	15.2	49.2 (370)	0.1 (482)	46.4 (242)
Kings Dept Stores	15.0	38.4 (437)	1.0 (440)	14.0 (484)
Knight-Ridder News	15.0	65.3 (243)	5.9 (116)	49.5 (227)
Richardson-Merrell	15.0	72.7 (201)	4.2 (173)	56.2 (186)
perry & Hutchinson	15.0	54.6 (325)	1.9 (352)	54.3 (196)
Phelps Dodge	14.9	86.0 (141)	7.4 (79)	134.2 (67)
Federal-Mogul	14.7	45.1 (399)	2.9 (257)	28.2 (389)
Getty Oil	14.6	330.9 (13)	41.4 (.3)	413.1 (28)
Air Prods & Chems	14.6	84.2 (149)	6.7 (101)	97.2 (92)
Oscar Mayer	14.5	96.3 (100)	2.9 (257)	33.4 (342)
Whittaker	14.5	74.0 (196)	3.2 (239)	44.3 (257)
So New England Tel	14.4	51.2 (355)	4.9 (142)	112.3 (77)
Dravo	14.4	68.9 (225)	2.0 (342)	42.8 (266)
R Donnelley & Sons	14.4	66.5 (236)	4.4 (164)	46.5 (241)
McGraw-Hill	14.4	61.1 (262)	5.3 (131)	51.6 (211)
Intel	14.3	46.4 (390)	5.4 (128)	35.0 (326)
ACF Industries	14.2	69.2 (222)	3.4 (222)	71.6 (130)
Service Merchandise	14.2	51.4 (352)	1.4 (404)	23.9 (421)
Marathon Oil	14.1	473.8 (4)	20.9 (15)	306.5 (40)
Cincinnati Milacron	14.1	53.0 (339)	3.9 (190)	40.5 (287)
Bangor Punta	14.0	56.1 (305)	2.1 (326)	36.9 (306)
Fisher Foods	14.0	95.5 (103)	def (485)	23.8 (422)
Gino's	14.0	23.6 (485)	def (485)	11.7 (491)
Parsons	14.0	44.2 (405)	1.7 (372)	18.6 (461)
Wheeling-Pitts Steel	14.0	88.7 (128)	3.6 (206)	60.5 (166)
Connecticut General	13.9	366.2 (9)	19.4 (18)	1075.5 (9)
Trans Union	13.9	66.4 (237)	4.2 (173)	128.8 (70)
Stauffer Chemical	13.8	110.6 (77)	9.9 (52)	136.0 (66)
Perkin-Elmer	13.7	53.5 (334)	3.7 (200)	40.6 (284)
McLean Trucking	13.6	41.1 (423)	0.6 (467)	20.8 (445)
National Gypsum	13.5	63.2 (250)	5.9 (116)	56.9 (181)
Host International	13.5	24.1 (484)	1.2 (418)	13.1 (487)
Midland-Ross	13.5	59.3 (283)	3.0 (252)	44.4 (256)
NLT	13.5	58.6 (289)	9.9 (52)	315.1 (37)
Super Valu Stores	13.5	257.4 (22)	3.4 (222)	32.2 (353)
Sheller-Globe	13.5	48.6 (372)	1.0 (440)	23.4 (426)
PACCAR	13.4	140.5 (50)	9.0 (59)	55.4 (192)
Data General	13.4	37.9 (442)	3.7 (200)	35.0 (324)
Pennwalt	13.3	81.2 (159)	3.8 (194)	59.7 (170)
Rohm & Haas	13.3	119.6 (64)	7.2 (85)	89.6 (98)
Hughes Tool	13.2	61.0 (263)	6.4 (104)	74.4 (123)
Interlake	13.2	83.7 (151)	3.0 (252)	55.6 (190)
Pub Svc Elec & Gas	13.2	183.1 (32)	17.7 (22)	462.4 (21)
Fairchild Industries	13.1	54.8 (320)	3.1 (247)	27.2 (399)
American Greetings	13.1	32.6 (467)	2.0 (342)	26.2 (407)
Alexander's	13.0	34.9 (460)	0.3 (476)	15.2 (479)

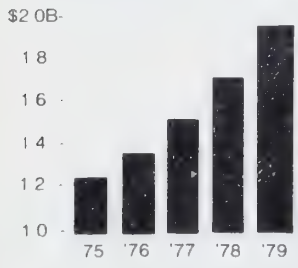
Rank	Company	Employees (000)	Per Employee ($000) Sales (Rank)	Profits (Rank)	Assets (Rank)
445	Fred Meyer	13.0	81.6 (157)	1.7 (372)	31.3 (363)
445	Thrifty Corp	13.0	66.0 (239)	1.1 (428)	23.2 (428)
445	Universal Leaf	13.0	75.2 (184)	2.0 (342)	16.6 (473)
449	Hobart	13.0	48.6 (372)	2.4 (296)	32.7 (346)
450	So Calif Edison	12.9	198.8 (27)	26.8 (9)	540.9 (18)
451	Varian Associates	12.9	38.2 (440)	0.7 (456)	31.6 (359)
452	Northwest Airlines	12.8	102.4 (92)	5.7 (120)	119.4 (73)
453	Trane	12.8	51.4 (352)	2.2 (318)	34.9 (327)
454	Outboard Marine	12.8	57.9 (296)	1.3 (414)	43.7 (262)
455	Joy Manufacturing	12.7	61.5 (258)	3.9 (190)	53.2 (202)
456	ASARCO	12.7	135.8 (54)	20.4 (16)	155.1 (60)
456	Del E Webb	12.7	40.4 (429)	0.7 (456)	36.2 (313)
458	Fieldcrest Mills	12.7	40.8 (426)	2.0 (342)	23.8 (422)
459	Bankers Trust N Y	12.7	214.7 (24)	9.0 (59)	2437.2 (2)
460	Kaiser Steel	12.7	76.8 (176)	3.8 (194)	89.9 (97)
461	A O Smith	12.7	65.9 (240)	2.3 (309)	32.4 (349)
462	Texas Utilities	12.6	139.4 (53)	16.8 (25)	462.1 (22)
463	Rollins	12.6	27.5 (481)	2.4 (296)	19.7 (450)
464	Northwest Bancorp	12.6	90.9 (122)	8.5 (65)	985.4 (12)
465	Continental Airlines	12.5	74.2 (193)	def (485)	59.1 (172)
465	Giant Food	12.5	99.4 (95)	1.4 (404)	24.6 (415)
465	Gt Northern Nekoosa	12.5	92.6 (112)	7.2 (85)	87.7 (102)
468	Diamond Shamrock	12.4	190.1 (28)	14.4 (31)	195.0 (55)
469	Amer Broadcasting	12.4	163.7 (38)	12.8 (37)	102.8 (86)
469	Avnet	12.4	82.9 (154)	4.4 (164)	43.5 (264)
469	Beckman Instruments	12.4	34.4 (461)	2.4 (296)	33.7 (339)
469	Cone Mills	12.4	54.9 (318)	3.5 (213)	29.7 (372)
469	Engelhard Minerals	12.4	1458.0 (1)	28.2 (8)	467.7 (20)
469	Vornado	12.4	59.1 (287)	def (485)	24.5 (419)
475	Amsted Industries	12.3	69.6 (217)	5.2 (134)	34.3 (334)
476	Memorex	12.3	60.0 (273)	2.6 (283)	48.6 (231)
477	Hammermill Paper	12.2	88.2 (131)	2.9 (257)	52.9 (204)
478	Central Tel & Utils	12.2	61.5 (258)	6.8 (98)	136.4 (65)
479	Western Union	12.1	59.4 (280)	0.3 (476)	145.1 (63)
480	Genuine Parts	12.1	110.5 (78)	5.1 (139)	39.3 (295)
480	Stanley Home Prods	12.1	17.7 (493)	1.2 (418)	12.0 (489)
482	Consumers Power	12.1	165.6 (35)	16.8 (25)	461.1 (23)
483	Dover	12.1	55.1 (316)	4.7 (153)	34.3 (334)
484	Equifax	12.0	28.3 (478)	0.9 (446)	9.5 (497)
485	Ampex	12.0	31.0 (471)	1.5 (394)	25.3 (411)
485	CBI Industries	12.0	53.4 (336)	4.9 (142)	57.6 (177)
485	Dayco	12.0	61.7 (257)	1.8 (363)	35.1 (322)
485	Federal Co	12.0	71.2 (209)	2.7 (272)	21.9 (437)
485	Fischbach & Moore	12.0	65.9 (240)	1.1 (428)	27.9 (391)
485	National Tea	12.0	87.1 (136)	0.7 (456)	20.9 (444)
485	Rose's Stores	12.0	41.5 (421)	0.7 (456)	10.2 (495)
485	Strawbridge & Clothier	12.0	30.6 (473)	0.9 (446)	21.3 (442)
493	General Cinema	12.0	54.7 (322)	2.1 (326)	32.1 (354)
494	Middle South Utils	12.0	151.9 (44)	15.2 (29)	541.9 (17)
495	Computer Sciences	11.8	29.1 (477)	1.2 (418)	17.2 (472)
496	Continental Illinois	11.8	286.1 (18)	16.6 (27)	3033.1 (1)
497	Texas Gas Transmn	11.7	144.2 (49)	6.8 (98)	114.6 (76)
498	Hershey Foods	11.7	99.3 (96)	4.6 (157)	51.9 (209)
499	Houston Natural Gas	11.6	155.0 (42)	11.9 (41)	143.4 (64)
500	Petrolane	11.6	98.6 (97)	5.2 (134)	51.3 (216)

Deficit.

Avco: Performance & Perspective.

At the Company's annual meeting, management said revenues should reach close to $4 billion by 1984, with net earnings expected to keep pace. As for the 1980 fiscal year, they cautioned that the present economic environment is likely to result in a slowdown in earnings at Avco, despite the excellent first quarter results.

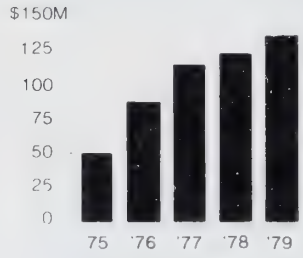
Revenues



Approaching $2 Billion

Avco's 1979 revenues were derived 55 percent from finance and insurance activities (Avco Financial Services, Inc.) and 45 percent primarily from the commercial and military aircraft and aerospace markets. Backlog at November 30, 1979 was $1.5 billion, reflecting participation in such major programs as the XM1 main battle tank, the MX missile, the L-1011 TriStar and Boeing 757 jetliners, and the Canadair "Challenger executive aircraft

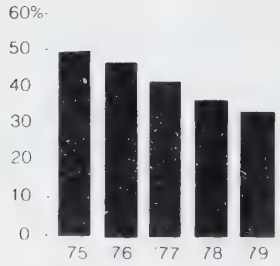
Net Earnings



Stable Profit Base

Avco has been structured as a diversified company with a balance between service and manufacturing businesses and government and commercial customers. This balance has contributed to a compound annual growth rate of 27 percent in net earnings since 1975

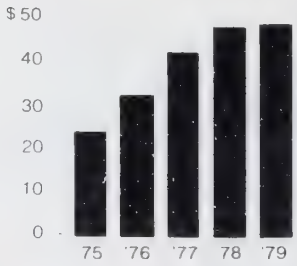
Debt/Capitalization



Capitalization Ratio

The parent company's reliance on debt has been significantly reduced in the past five years, declining from 49 percent of total capitalization in 1975 to 31 percent in 1979. During that period, the amount of debt subject to short-term interest rates also dramatically decreased

Book Value (Per Share)



Building Value

Book value per share has increased at an average compound annual growth rate of 16 percent during the past five years. Common dividends are currently being paid at a 30¢ per share quarterly rate.

Highlights of the Quarter

(Ended February 29, 1980/February 28, 1979)

	1980	1979
Revenues	$ 520,276,000	$ 451,803,000
Earnings Before Extraordinary Tax Credits	37,789,000	28,451,000
Extraordinary Tax Credits	273,000	1,473,000
Net Earnings	$ 38,062,000	$ 29,924,000
Net Earnings Per Share		
Primary*	$ 2.18	$ 2 04
Fully Diluted	$ 1.52	$ 1.23
Stockholders' Equity Per Common Share		
Primary	$ 49 56	$ 48 55
Fully Diluted	$ 39 97	$ 35.76
Total Assets	$5,449,821,000	$4,789,103,000

*Average number of shares outstanding increased to 15.9 million shares for 1980 compared to 13.1 million shares for 1979, principally due to conversions of debentures.

Avco Corporation (NYSE:AV) is a diversified company that has major interests in consumer finance, insurance, reciprocating and gas turbine engines, aircraft structures, aerospace technology, international management services and land development.

For further information contact Joanne T. Lawrence, Director of Corporate Communications.

AVCO CORPORATION World Headquarters, 1275 King Street, Greenwich, Connecticut U.S.A. 06830

EC Chairman Williams says they are se-urities, but some bank regulators wonder bout money market mutual funds.

A BANK BY ANY OTHER NAME

By Ben Weberman

Harold M. Williams, chairman of the Securities & Exchange Commission, was recently asked if money market mutual funds should be treated as bank deposits. In other words, should they come under the crutiny and periodic examination of anking regulators? Williams said, no, *veryone* knows that these are securiies, that the value of the securities luctuates daily and that there are no ederal guarantees on them.

Maybe so, but people don't seem to e worried about these risks, and who an blame them? Unlike savings cerificates, money can be withdrawn at ny time from money market funds vithout any interest-rate penalty. Beause they hold so much high-yielding aper purchased before interest rates tarted to go down, the money market unds can still offer yields in the 14%-o-16% range as against a greatly reuced 10% or less currently available o bank and thrift depositors.

The money market mutual funds, urthermore, by manipulating the rate f interest paid daily, manage to keep he price per share at $1 (barring catatrophic developments). This gives he funds the appearance of a bank eposit, which at the minimum guarntees to pay back $1 for each $1 eposited. They even offer checkvriting privileges and even telephonic vithdrawal.

Dreyfus Liquid Assets I, which is ne of the largest of the funds and has ssets of $2.9 billion, was paying inerest at a rate of 15.48% in early May. Its sister fund, which has just een organized and is subject to a 5% Federal Reserve deposit that draws no interest, is paying 14.65% to shareholders.

That 15% special deposit requires some explanation. The Federal Reserve Board imposed this special deposit as a means of restraining credit expansion. The penalty deposit usually does not apply to fund shares owned before Mar. 14, 1980. It does not even apply to all new purchases. The Fed says that money market mutual funds must maintain a special deposit with the Federal Reserve equal to 15% of the increase in their total assets after Mar. 14. This has the effect of eliminating any investment earnings for the fund on that 15% portion of the portfolio that is posted without interest at the Fed.

There are many exceptions to that 15% noninterest-bearing reserve. Bank trust department purchases for trust accounts are not subject to the special deposit because bank trust department investments themselves are not subject to the Fed special deposit requirement.

Some other types of accounts are also exempt from the special deposit, which means that if you qualify for the exemption, you can probably purchase shares of a money market fund that is free of the Fed's 15% take. These special accounts include Keogh and IRA (independent retirement) accounts, estate accounts and others managed by a fiduciary.

Even without qualifying for an exemption, you can buy Fidelity Daily Income Trust, which is still selling nonpenalty shares to anyone on a first-come, first-served basis. This $2.6 billion market fund is for big players who have $10,000 or more to start. It can offer the no-penalty investment because many of its shareholders withdrew money to pay their Apr. 15 taxes. It also turned up a large proportion of Keogh, IRA, bank trust department investors who helped create a large cushion between the base and the amount outstanding.

One interesting situation is that of Merrill Lynch Ready Asset Fund. When I wrote about funds in my column of Mar. 31, I pointed out that Merrill Lynch Ready Assets was paying only 9.22% interest, while all others were in the 13% range. The reason was that Ready Assets followed a mark-to-market system of accounting, which reduced earnings (and interest) when yields were rising. Fixed-income portfolios fall in value when rates rise. The value of portfolios gains when interest rates drop, and the fixed return continues to come in at the originally agreed rate.

Because interest rates have been plunging—from 18% or more for 180-day deposits to 10.5% currently—the Merrill fund has been benefiting greatly, with interest paid at a 23.04% rate. Since May 1, I must add, the accounting system has been changed to take out the portfolio fluctuations on securities due within 60 days.

Are these securities as Harold Williams claims? Or are they more like banks? You can bet that as far as the average user of the money market funds is concerned, they are banks, and millions of investors have said so by "depositing" a grand total of $60 billion with them.

If you wondered why first-quarter earnings weren't down even further than they were at the savings and loans, here's the reason: Many of their depositors owning 6%, 7% and 8% certificates were willing to cash them in and suffer the interest penalty in order to get cash for reinvestment in 15%, 17%, 19% money instruments. The thrifts' accounting systems permit them to take the interest penalties into profit.

One of the major concerns of the banking regulators—and banks and thrifts—is that the money that has flowed so rapidly into the money market funds will be very slow to return to banks. The funds' high interest rate is only one major reason for their popularity. Their convenience and ease of withdrawal is another. The interest-rate advantage could be wiped out if interest rates continue to fall and the yield curve resumes its normal shape—by which we mean that short-term interest rates once again fall below long-term rates, their normal relationship. If that happens, since money market mutual funds invest in short-term paper, they won't be able to pay as much as those that invest in mortgages and other long-term paper. But convenience will still be on the side of the money market funds. They aren't about to go away. ■

en Weberman is economics editor of FORBES *agazine*

Heavy exports will leave the U.S. only 3.6 million bales on July 31—the lowest number since the end of the 1977 crop year.

A CLAMOR FOR COTTON

By Stanley W. Angrist

COTTON PRICES seem to have taken on the volatility of silver in the past several months. At first, observers attributed the wild swings in cotton to what was going on in the precious metals. But now, a closer look reveals that we are probably in a real bull market in cotton. The bull is being driven by a number of factors, none of which involve the Brothers Hunt.

U.S. cotton exports in the 1979-80 crop year (which ends July 31) are estimated to be around 8.5 million bales. This represents the highest level of cotton exports in the post-World War II period. Old crop cotton futures (contracts maturing this July or sooner) have become extremely unsettled, reflecting the close balance between supply and demand for the 1979-80 year. There are at least three forces that are expected to be major influences on cotton prices in 1980: 1) foreign acreage planted to cotton and prospective production; 2) U.S. acreage planted to cotton and prospective production; and 3) world economic conditions affecting demand for cotton.

The table indicates a very close balance between supply and consumption. Heavy exports, particularly to the People's Republic of China, will leave the U.S. with an estimated carryover of only 3.6 million bales on July 31—the lowest number since the end of the 1977 crop year.

Clayton Brokerage Co., in a recent report on cotton, estimates that the number of acres planted to cotton worldwide this crop year will be about the same as last year. But production, excluding the cotton crop for the U.S., will increase by about 1.5 million bales (about 3%). For the coming year, acreage to cotton could increase another 3% or so, while production would be up a maximum of about a million bales.

U.S. acreage planted to cotton was estimated on Apr. 1 to be 14.8 million acres, up almost 6% from last year, and almost 8% above the Jan. 1 intentions of farmers. These seemingly bearish numbers have been built into current prices.

The biggest uncertainty in the cotton equation seems to me to be the world economic outlook. Will the expected U.S. recession and the relatively high-interest-rate environment reduce the demand for cotton significantly? Certainly, the demand for textiles would be expected to fall somewhat in the face of a slowing world economy. However, with ending stocks coming in as low as 31% of disappearance, the prospects for a serious sell-off do not appear good. Furthermore, the fabrics that are cotton's main competitors are synthetics, and the prices of synthetics depend on the price of oil. The ratio of cotton prices to polyester prices has declined since 1976.

Trading cotton has not been easy in recent weeks because of mercurial price action. I recommend that positions be taken by way of a spread. would recommend going long Decem ber/short March cotton, with Marc at least at a 150-point premium t December. Full carrying charges o this spread would probably be aroun 400 points, so do not look to carryin charges to limit your loss. Risk n more than 100 points from entry. would look for a 250-point profi Margin on a cotton spread is abou $500, with a round-turn commissio of about $100.

Stanley W. Angrist is a professor at Carnegie-Mellon University and the author of Sensible Speculating in Commodities.

Long memories

If my mail is any indicatio FORBES readers not only pay clos attention to the contents of the ma azine but also they have excelle memories. Hardly a month goes b without my receiving a short not stapled to a copy of a past colum The note is usually sarcastic an points out how I was dead wrong o some recommendation or analysi How do I respond to such mail?

Well, I certainly regret having mad an incorrect forecast. But long ago resigned myself to the fact that eve the most successful commodity tra ers are correct no more than abou 45% of the time, when considering year or more of trading history. Hov ever, they make substantial amoun of money by having those 45 out 100 trades produce profits that are o average at least 1.8 times bigger tha the average loss.

Furthermore, as a commodity tra er, I have forced myself to learn reverse my opinion on a trade in matter of a few minutes. That is, i stock parlance I don't "fight th tape." If I am a bear and prices a rising, I change my opinion and joi the trend rather than stick to my gu and wait for the market to change i mind. So, dear readers, I apprecia mail, but I am well aware of the tim I was wrong—long before you are. ■

World cotton supply/demand balance

Cotton supplies will be in extremely close balance with disappearance in the coming year, even without any adverse weather conditions.

	1976-77	1977-78	1978-79	1979-80	1980-81†
Beginning stocks, Aug. 1	24.0*	20.7	23.9	21.5	22.6
Production	57.3	63.9	59.8	65.1	64.0–66.0
Total supply‡	81.3	84.6	83.7	86.6	86.6–88.6
Disappearance‡	61.0	61.2	62.8	64.0†	64.0–66.0
Ending stocks, July 31	20.3	23.4	20.9	22.6†	20.6–24.6
As a percent of disappearance	33.0%	38.0%	33.0%	35.0%	31.0%–38.0%

*All numbers in millions of 480-pound bales. †Estimated. ‡All numbers include the U.S.

Competition.

It's what we face every day on our trading floor. Now we're getting some from outside. We can't wait.

If imitation is the sincerest form of flattery, we are sincerely flattered.

Financial futures were first traded on the International Monetary Market on May 16, 1972. Before that, there simply wasn't any such thing. Today financial futures contracts are traded on a number of exchanges in proliferating numbers.

We don't regret the competition for a moment. It is, after all, the lifeblood of our industry and we know—from our trading floor experience—that competition makes for greater efficiency. The competition among our own members to secure the best possible prices for their customers is what has made the IMM so successful for eight years. We consider ourselves the most efficient financial futures market in the world and we have no intention of allowing that to change.

We have more active financial futures contracts than any other exchange. We are years ahead of our competition.

Our members have more expertise and are better equipped to service their clients. We have the institutional financial strength and integrity that is second to none and we are the only exchange to have a multi-million dollar trust fund to protect the public.

Competition is nothing new to the IMM—in fact, it's an old friend.

For more information, call toll-free 800-228-2027, in Nebraska 402-571-4900.

INTERNATIONAL MONETARY MARKET

Division of Chicago Mercantile Exchange®

Offices in New York and London.

What Is The Best Franchise?

See The First And Only Analysis And Rating Of Every Franchise In The US And Canada

FREE • NO OBLIGATION

Publication Div.
American Entrepreneurs Assn.
2311 Pontius Ave. Suite B-773
Los Angeles, CA 90064

Please send free information on your analysis and rating of all franchises

Name _____

Address _____

City _____

State _____ Zip _____

B-773

DIVIDEND INCREASE

The Board of Directors of ENSERCH Corporation on April 15, 1980, declared an INCREASE in the quarterly dividend from 39 cents to 43 cents per share of common stock payable on June 2, 1980, to shareholders of record on May 16, 1980. This represents the eleventh increase in the cash dividend since early 1970, and it is the 144th consecutive quarterly cash dividend paid.

For additional information, please write to Benjamin A. Brown, Vice President, Finance, Dept. C, 301 South Harwood, Dallas, Texas 75201.

ENSERCH
CORPORATION

Hundreds of stocks are selling virtually a bankruptcy level prices. From here on, th downside risk is limited indeed.

HAS THE TURN COME?

By Heinz H. Biel

It is now a certainty that we have passed the peak in short-term as well as long-term interest rates—at least for this time around. Although the Fed has not yet reduced its discount rate, and banks are cutting their prime lending rate somewhat grudgingly, the plunge in the yields of three- and six-month Treasury bills and the like is more indicative of what is actually going on.

The bond market also has turned, but the needs for longer-term financing are so huge that the decline in yields is proceeding at a much slower and far more moderate pace than is the case with money rates. As a result, the more normal interest pattern is being restored, where yields increase with lengthening maturities.

I am less confident that stocks have bottomed. Some market technicians make a good case for it, and it would not be at all unusual for stocks to stop going down even though the general economy continues to deteriorate. We have seen that time and again in past recessions. There are also indications that the market is becoming increasingly impervious to bad news, which suggests that the worst is over. And we certainly have had more than a fair share of bad news.

Look at the stocks of companies that already are in a slump—the airlines, automakers and related industries, building materials, etc. To what extent have present and future adversities been discounted? Numerous first-quarter earnings reports were real shockers and some dividend cuts, if not omissions, are inevitable. It will get worse as the year progresses, yet innumerable stocl have little fat left on their bones th. could be trimmed off.

I am not particularly fond of the ti industry, but how much can you lo on a stock like *Firestone*, for instanc This 70-year-old former blue chip h become a hard-luck company, and i stock is now selling around $6 a shar which is about 50% below its lowe price in 25 years. *Ford* has sold on once before—in 1958—below i recent price of 21. The $84-a-sha book value may not mean much, u less a decent profit can be earned c these assets, but Ford's overseas su sidiaries alone should be worth co siderably more than what the stock selling for today. It is noteworthy th. the price of Ford was unruffled by t announcement of the huge first-qua ter loss.

Or take *Pan Am*. Sure, it's not exac ly investment grade, but I can't ima ine it going belly up. Pan Am is now national as well as an internaton carrier (God, were the stockholders National Airlines lucky!), and it is i herently better situated than in pr vious periods of stress.

One can cite hundreds of stocl that are selling virtually at bankrupt prices. The point I am trying to mal is that from here on, the downsi risk is limited indeed. To put it diffe ently, the risk/reward ratio has in proved dramatically, and isn't th what the game is all about?

Another reason why I believe that is quite possible that the March/Ap stock market lows may have been t bottom of this particular cycle is t relatively stronger performance quality investment stocks that h been shunned in January and Febr ary, when wild speculation was dom nating the market scene. This chan suggests that institutions are peelir off some of their huge cash reserv that have been sitting in Treasu bills, bank CDs, commercial pap and money market funds.

Part of this hoard will go in

Heinz H. Biel is a vice president of the NYSE firm of Janney Montgomery Scott

ds, to be sure, as the yield pattern rns to normal relationships. But expected further decline in interates also makes stocks somewhat e attractive, even though the divid yield is still only about one-half vhat can be earned on high-grade ds. The overall return, however, the dividend return plus the longn earnings growth rate, will begin vor stocks once again. It will jusa somewhat higher earnings mule than we have seen lately.

can be argued, of course, that corte profits are likely to fall off subtially this year, but even profound imists don't expect earnings on Dow Jones industrial stock averto drop below $100, down from it $124 in 1979. A multiple of 8, *vs.* at present, could easily sustain the ent level of stock prices, and 8 es depressed recession earnings is ry modest P/E ratio indeed.

ectric utilities have a high degree ecession resistance. Are they a l buy now? If you must maximize me, the answer is yes, but if the ctive is major capital gains, it is I don't think that utility stocks outperform bonds, and in that l the potential appreciation at best be 10% to 15%. One's expectâs should be far greater than that n buying stocks at this time. en you select electric utilities, t do it merely, or primarily, by ing for the highest-yielding stock. more important is a company's ty to increase payments steadily ture years. Many utilities already paying out a greater percentage of ings than is good for them.

don't know, and I don't think anyy knows, how to evaluate the risk worldwide calamity. Europeans e been burned badly twice in this ury. Understandably, they are e sensitive to the potential of aner war than we, who have not in ng memory been touched at home oreign arms. It is quite alarming to the cover of a recent issue of *Der gel* (the German equivalent of *Time Newsweek*) comparing the present east crisis with the period in the mer of 1914 following the assassion of the Austrian Archduke nz Ferdinand on June 28 in Sarajechat precipitated World War I. It uld be noted that this particular e of *Der Spiegel* was published *be*our attempt to rescue the Ameri hostages in Iran failed. Do the opeans see the dangers more clearhan we do? Let us hope that they wrong. ■

High Yields

Before you invest in a regular savings account ask these questions!

1. Is the yield of this Fund considerably higher than the yields of regular savings and checking accounts, even with the Fund's Federal Reserve requirements?*

2. Does the yield come from investments in high quality securities?

3. Is the yield compounded daily?

4. Do you get free checking?

5. Can your initial investment be only $2500, with deposits as low as $100 free of sales charge?

6. Can you redeem your investment by phone?

With Dreyfus Liquid Assets II, the answer is yes to all these questions.

Send the coupon or call for full details on this high yield, quality fund. No minimum investment period • No penalty on withdrawals

Dreyfus Liquid Assets II

600 Lincoln Blvd., Middlesex, N.J. 08846

For more complete information, including management fee charges and expenses, obtain a prospectus by sending this coupon. Read it carefully before you invest or send money.

Name _____

Address _____

City _____

State _____ Zip _____

V113 047V001

FOR A PROSPECTUS

Call toll free, day or night, 7 days a week

800-523-7601

Extension 362

In Pennsylvania

1-800-662-5180

Extension 362

*Of course, in a bank your principal is insured and does not fluctuate, but your investment has a fixed return.

Stop excusing your life away.

Everyone has an excuse for not seeing their doctor about colorectal cancer. However, every year 52,000 men and women die of colorectal cancer in this country alone. Two out of three of these people might be saved by early detection and treatment. Two out of three.

So what is your excuse? Today you have a new, simple, practical way of providing your doctor with a stool specimen on which he can perform the guaiac test. This can detect signs of colorectal cancer in its early stages before symptoms appear.

American Cancer Society

THIS SPACE CONTRIBUTED AS A PUBLIC SERVICE

QUARTERLY DIVIDENDS SINCE 1935

NATIONAL DISTILLERS AND CHEMICAL CORPORATION

DIVIDEND NOTICE

The Board of Directors has declared a quarterly dividend of 50¢ per share on the outstanding Common Stock, payable on June 2, 1980 to stockholders of record on May 9, 1980. The transfer books will not close.

April 24, 1980

RAMSEY E. JOSLIN,
Vice President-Financial

ND CC

NATIONAL DISTILLERS PRODUCTS CO
BEACON MANUFACTURING COMPANY

When society stops littering, perhaps it wi stop inflating. Inflation, like crime, is product of poor citizenship.

A MORAL FEVER CHART

By John Train

THE TALK one hears about inflation reminds me of the talk about crime in New York City. Both, it seems to me, are syndromes.

Off and on, I've spent some years in crime control groups in New York. They generally go the same way. Someone is brutally murdered, and a group of concerned citizens form a committee. A subcommittee is sent to sit in courtrooms to make sure that the assistant district attorneys are well prepared and that the judges do their duty. Trials must follow quickly after arrest: Punishment must be swift and sure. Bail should be denied to felons, so many of whom commit additional crimes between indictment and sentencing. No plea bargaining is to be allowed; sentences should be exemplary.

Another subcommittee goes to the capital to lobby for stiffer penalties in the law, and still another urges the parole board to exercise greater severity. After a while it is discovered that there are hundreds of thousands of drug addicts who have to find $50 a day, or whatever, to maintain their habits.

So stiffer laws are urged against drug peddling. Then it is found that organized crime controls this business, so stronger measures are demanded to suppress organized crime.

After a year or two, however, the truth emerges: None of these measures works. The DAs are so swamped they cannot cope with the cases that they have, so 95% of the cases have to be disposed of by plea bargaining. The judges know t sending criminals to jail makes th into worse criminals, and the jails overflowing anyway, so many cri nals simply have to be released parole, even if they are a danger society. The theoretical sentences drug peddling are already as harsh they could be. Organized crime, from losing ground, is slowly tak over the city.

To sum it up, the whole thing syndrome. A weak, fragmented zenry will perforce be exploited by wicked, just as any weak organ succumbs to parasites. When ev one says, "The devil take the hi most," the devil soon works his to the head of the line.

A change in the collective poin view, so that you have a more ci minded population, is the solut And that takes a long, long tim can remember when almost nob threw papers in the streets in N York and almost nobody stepped the grass in Central Park. H many years will it take until th true again?

Talking about solving inflation reducing government expenditure regulations, restricting the mo supply, breaking the OPEC monop or any other single measure or inc any likely combination of meas seems to me like attempting spec cures to the problem of crime in N York City. Each is fine as far a goes, and yet none is likely to w Again, it's a syndrome.

The relative inflation rate seem me to be a symptom, a fever char the industriousness and realism of body politic, of the civic-minded of the people, and one has to deal w the syndrome, not the symptom.

When you take more out of the tem than you put into it, a fever sults—inflation. You start living o your fat—savings. After a while, savings are used up, and you ha crisis. Perhaps you change. The is getting back to putting more

John Train is president of Train, Smith, Investment Counsel, New York, and the author of The Money Masters *and* Dance of the Money Bees.

he system than you are taking out.

No amount of new regulations, hanges in M2 or any other combinaion of Ms is likely to inspire a Japaese-style dedication to higher output ere, any more than stiffer sentences or muggers will solve the crime probem in New York.

In both instances the change will ome through a change in public attiudes, producing a structural change n society. At that point the public von't tolerate governmental moneary inflation. Now, it demands it.

What will it take to bring about that ind of change?

What changed things in Germany nd Japan? A tremendous shock: ou go through the wringer, you hit ottom. Then you reorganize on a igher level.

America is going through the vringer piecemeal. In the 1960s we ived out the dreadful biblical admonion. (God is speaking): "If thou forget ne, I shall destroy thy children." Sevral million incompetent young driftrs are the souvenirs of our forgetfuless of that first principle. What a unishment!

Now in the 1980s we are learning hat selfishness—that is, too much imme and not enough give—will ndo any economy.

But hyperinflation brings its own etribution. When every pensioner, very life insurance beneficiary, every ondholder and indeed perhaps every ocial Security recipient see much or nost of their savings wiped out, that nay be a powerful enough shock to ring about a general change of attiude. But it will involve a lot of pain, ver a long period.

I must touch on the strange situaion of the federal bureaucracy, our ew nobility. Alone among our peole, 50 million dependents of the fedral bureaucracy enjoy automatically ndexed compensation, including penions. They are the only ones who void the pain. Indeed, they *gain* from nflation, since the index follows the vhole consumer "market basket," vhile in practice consumers buy vhat's cheapest at the moment. So, ust as badly designed welfare proams "buy" unemployment by comensating people generously for not vorking, our indexed compensation or the federal bureaucracy "buys" nflation. It makes the very group hat is in a position to help slow nflation indifferent to inflation beause they alone are insulated from . They should suffer along with the est of us. ■

Let Value Line Help You Identify

400 STOCKS TO AVOID NOW

Plus 100 stocks that may outperform most others in the next 12 months.

An otherwise solid stock portfolio can be held back by a few lagging stocks so it's important to be able to identify the least timely stocks as well as the most timely ones. (In some years a great company can translate into a lagging stock.) And to be immediately aware of significant *changes* in any of your stocks.

That's why The Value Line Investment Survey every week of the year ranks 1700 stocks—each *relative* to all the others—for *Probable Market Performance in the next 12 Months*, as follows:

100 stocks are ranked 1 (Highest)
300 stocks are ranked 2 (Above Average)
900 stocks are ranked 3 (Average)
300 stocks are ranked 4 (below Average)
100 stocks are ranked 5 (Lowest)

Note: Not every stock will always perform in accordance with its rank. But it is a fact that favorably ranked stocks, as a group, have outperformed poorly ranked stocks with remarkable consistency since the ranking system was introduced in 1965.

While past performance can never guarantee future success, this record of 15 years of successful discrimination strongly suggests that you can tilt the investment probabilities in your favor by using The Value Line ranks to give you objective indexes not only of timeliness but Safety and estimated yield as well.

SPECIAL OFFER

Value Line is offering a special introductory 10-week trial subscription to The Value Line Investment Survey for only $33—about half the regular price, provided you have not had a subscription in the past two years. As a double bonus at no additional charge, you will receive the 2000-page Investors Reference Service (covering 1700 stocks) which will be updated every week—filing takes but one minute a week—and the 96-page booklet. "Evaluating Common Stocks." Send check or money order along with name, address and zip code together with this ad to:

The Value Line Investment Survey

Arnold Bernhard & Co., Inc. 711 Third Avenue, New York, N.Y. 10017

☐ Begin my 10-week trial to The Value Line Survey (limited once to any household every two years) and send me the two bonuses listed above. Check for $33 is enclosed. (Trial subscriptions must be accompanied by payment.)

SPECIAL EXTRA BONUS

A famous-make pocket-size CREDIT CARD/CALCULATOR SUPER SLIM LCD CALCULATOR (with full memory) given to you when you order the Value Line Investment Survey for one year—and send payment now.

☐ 1 year for $330. My payment is enclosed—send me the CALCULATOR as my extra special bonus. (There are no restrictions with this annual subscription.)

☐ Enter my subscription now. Bill me for $330. (Does not include the calculator.)

SIGNATURE

NAME (please print)

ADDRESS APT.

CITY STATE ZIP

GUARANTEE: If dissatisfied for any reason, I may return material within 30 days for full refund of the fee I have paid. Subscription tax-deductible and nonassignable. Foreign rates on request. (NY residents add sales tax.) 816A26

Forbes
Classified
appears in
the first
issue
of every
month.
Look for it
in the
upcoming
issue.
For rates
and other
information
on FORBES
CLASSIFIED
call
Sarah Madison
(212) 620-2371

**Forbes:
Capitalist
Tool**

President Carter didn't need Congress to outlaw the three-martini lunch. Volcker and the onset of a recession did it for him.

MAINTAINING APPEARANCES

By Srully Blotnick

ONE VERY CLOSELY watched government indicator, the Labor Department's unemployment index, seriously understates the case—and has been doing so increasingly with each succeeding recession. I am talking not so much about unemployment as about *under*employment. The latter currently is extensive, for example, among the vast army of self-employed, and is an important indicator of economic activity but doesn't figure in the official statistics.

Consider what's been happening lately to the incomes of people employed as salesmen in the real estate, securities, auto, apparel and textile fields. To be sure, some have been laid off, have applied for unemployment, and hence have become part of the statistic representing the number of workers presently out of work. But a vastly larger number have not. They've kept their jobs, and are simply earning substantially less in many instances than they previously were.

Vic sells fabric for a major textile manufacturer and has been doing rather well for the last five years, making almost $80,000 in 1979. This year, though, will be another story. "The bottom fell out recently," he said with an air of resignation. "You can barely *give* anything away right now." A few of his lines are selling, but his earnings are down significantly. "Won't you recoup the business later this year?" I asked. "No, definitely not," he replied. "The stores aren't doing the business, so neither are we. The orders aren't being postponed, they're gone."

Dr. Srully Blotnick is a practicing psychologist and author of Winning: The Psychology of Successful Investing.

Take Ben, a Ford salesman. He'd done well until recently. No more. "We're doing some used-car business," he says. "That's about it. Lots of people don't want to buy the new ones. They're too expensive, and financing costs are sky-high." Had he been manufacturing the cars that he's currently been unable to sell, he'd probably have been laid off by now. However, Ben, like Vic, works on commission, and instead of being fired, he's earning less. Much less.

The millions of workers in positions similar to Vic's and Ben's —the hidden unemployed—need to be kept in mind when you hear that "unemployment has edged up another notch." For instance, a 13% increase in the nation's unemployment rate from 6.2% to 7% doesn't begin to convey adequately what's happening to Ben and Vic: Both have watched their average monthly income sink to half of what it was seven months ago.

These two, and the many like them—a substantial proportion of whom are self-employed—presently are unemployed, regardless of the fact that they're not on the relief roles. When all is said and done, they're financing their own unemployment. By accepting a greatly reduced income and continuing to stay with their jobs, rather than saying, "I've essentially been fired, once my earnings decrease *this* much," they are remaining "employed." The term, however, needs to be seen for what it has currently become: a neat mask for a grossly fluctuating reality. Behind the scenes there are income variations occurring that are startling. Appearances are being maintained; earnings levels are not.

Needless to say, what workers in such a fix are doing is cutting back—sharply—and it's illuminating to see how. Neil is a lawyer in Philadelphia. He does a little bit of everything—negligence, securities, matrimonial contracts; "anything that's interesting, and lucrative," as he puts it. Hi

income from fees is down about one-third, as compared with the first four months of last year. "I was involved in a lot of real estate transactions last year," he said. "This year there aren't as many."

Neil enjoys entertaining. "I like taking my clients out for drinks, or to eat," he said expansively. President Carter didn't need to get Congress to outlaw the three-martini lunch. Paul Volcker, high interest rates and the onset of the recession did it for him. "I don't believe it," Neil chuckled. "I just sat here with my best client and we ordered lunch in—sandwiches, no booze. We never did *that* before."

Neil's lighthearted comments, added to the responses of others in a similar bind, provide a glimpse of a more general reaction to falling earnings. For instance, we expected people whose incomes were being pinched to spend less money in restaurants. We thought they'd accomplish that by dining in less expensive places. That, however, isn't what they're doing. As it turns out, they'd rather not eat out at all than dine in a place that is a cut or two below the level of the ones they're used to patronizing.

Odd as it may sound, that makes the fast-food joints more acceptable, particularly to those under the age of 40. Rather than trade down to what they regard as a second-class restaurant, they grab a snack at McDonald's or Burger King. They've grown up with these names and regard them as more socially acceptable than, say, the neighborhood greasy spoon.

It's far more comforting to be able to buy less than the best you can afford, and then say, "I could spend more—much more—if I chose," than it is to say, "I'd better enjoy this meal, I might have to wash the dishes to pay for it." By having a pizza or a burger, you can make it seem as though the whole thing is just a lark. The attitude helps you feel "above it all," no minor matter when the pinch is on and your spirits need a boost.

The overall effect is to make those who are self-employed, or who earn commissions, cut back more than they might otherwise have been expected to. Rather than dropping from $125 shoes to $45 shoes they'll force the old ones to last longer and make a virtue of their expensive shabbiness. Given the large number of these hidden un- or underemployed, it's not surprising that so many people still *look* the same, but don't want to take their hands out of their pockets just now. ■

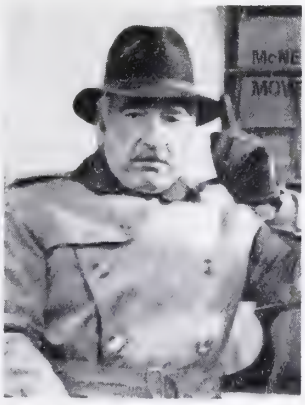
Regular Quarterly Dividend

87¢ per Common Share
Payable:
June 15, 1980
Record:
May 9, 1980
Declared:
April 23, 1980

◆ The one-for-one stock distribution, previously authorized by the Board of Directors, will be effective on May 9, 1980. Stock certificates will be mailed on May 30, 1980. After the distribution, the indicated quarterly dividend will be 43½¢ per share.

Panhandle Eastern
PIPE LINE COMPANY

Cyril J. Smith, Secretary
P.O. Box 1642
Houston, Texas 77001



SOME SERIOUS NOTES ON MOVING.

By Victor Borge

When you move, make sure your mail arrives at your new address right after you do.

The key is this: Notify everyone who regularly sends you mail one full month before you move. One last serious note. Use your new ZIP Code.

Don't make your mail come looking for you. Notify everyone a month before you move.

© USPS 1980

DON'T LET INFLATION BLOW IT!

Use your "Dollars and Sense."
Send for this free booklet, and information on how to obtain bulk copies.

George W. Hayden
The Advertising Council
825 Third Avenue, New York, N.Y. 10022

Please send me a free copy of "Dollars and Sense," and information for ordering bulk copies.

NAME _____

TITLE _____

ORGANIZATION _____

_____

STREET _____

CITY _____

STATE _____ ZIP _____

SIGNATURE

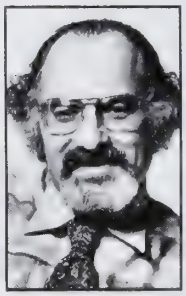
Ad Council

A public service message of The Advertising Council and The U.S. Departments of Agriculture, Commerce, Labor and Treasury. Presented by this magazine

Since the rate of inflation is so sensitive to energy and mortgage interest rates, it can plummet 10% during the second half.

HOW TO PLAY THE RECESSION

By Martin T. Sosnoff



WITH A SIGH of relief, the country has plunged into the recession. Just as it took so long to arrive, like the man who came to dinner and broke his leg, it may exhaust our patience. My building contractor, an old Yankee, says the Hunts got their comeuppance, and my mother-in-law is now looking forward to a price break on chocolate-covered graham crackers. Amen.

Everywhere I go, people nod their heads—the hyperactive environment of commodities speculation and impossible mortgage rates is too wearing to live with. Interest rates that fluctuate more daily than annually adumbrate fear and uncertainty for equities. If stock valuation is a function of a company's growth rate and its dividend compared with yields on high-grade bonds, prices can range widely if the band on bond yields bounces between 10% and 15%.

It is axiomatic that the money managers' knee-jerk response to a recessionary environment is to buy interest-sensitive stocks and countercyclical industries. The razor blade psychology takes over. Even if you're an unemployed auto assembly jockey, the chances are good you will still shave, drink beer, brush your teeth and maintain the monthly payments on your homestead. There may be some inventory cutbacks on brand-name goods in favor of the generics. No-name bleach is substituted for Clorox, but the day-to-day life cycle hardly changes. The day the market realized recession was a fact, the drugs, savings and loans, insurance underwriters and utilities wer marked up 10%.

Focusing on the special nuances c this recession helps target serious in vestment conclusions. Unfortunately there are very few economists brav enough to predict the longevity or se verity of the down cycle. All they dar do is to compare previous recession and suggest that cycles repeat them selves. Their readout is that corporat profits will decline, peak to trough over 20%. The stock market will tur up four to six months after the onse of recession and long-term bonds ma not turn down until well into th downturn (this is silly today). The rat of inflation will go down as productiv ity improves coming out of this rece sion and the federal government wi run a huge deficit. The Presider moves for a huge tax cut this fall an the Federal Reserve Board will stan around for several months until it absolutely sure something has reall happened. Try and make money fror this kind of punditry. You can't.

Each economic cycle has its speci stigma. In 1974 every businessman i the world subscribed to the raw mat rials shortage by overinventorying h needs. This cycle, the inflation psy chosis overcame the consumer, a though there was the heavy hand the Hunts and their Lebanese cour terparts hyping precious metals. W all inventoried more cars, washin machines and homes. Prices move up faster than the aftertax cost money. Housing, a $2 trillion stoc became the surrogate for stock ma ket speculation.

It's almost over now. Interest rat will surprise everyone and come dow like a goose full of buckshot. It wi take years for the consumer to fe rich again. The real estate offices i my town are closing down, wi home transfers off 60% of late. Ju replenishing debt-ridden balan sheets takes time. I traded in m Mercedes for a Volkswagen diesel ar had to give them some cash. Th

Martin T. Sosnoff is chairman of Atalanta Capital Corp., New York, and the author of Humble on Wall Street.

ve me mudguards as a free option. Prosperity is a state of mind. More arried women went back to work in e Seventies than ever before, and in y family everything earned was ent on travel, entertainment and othes—mostly clothes. In my house, eryone has his own color TV. There e a lot of kids and six receivers. One ght everyone fell asleep watching e Yankees lose and I went around rning off the sets just as my father sed to turn off the light switches in e Thirties. A few months ago, I ould have turned in and not played ght watchman.

Retail sales will be hard hit and the emand for consumer credit finally ill crest and fall. Capital expendires are stretched out in the corpote sector and despite all the backed-financing in the corporate and govnment sectors, long rates decline, aybe to the 10% level. Since the rate inflation in the consumer price inex is so sensitive to energy, mortge interest rates and home prices, it n plummet during the second half, aybe as much as 10%. The comodities index is already below where was a year ago and seems headed wer as industrial production falls roughout the year. My favorite conomist, David Levine of Sanford . Bernstein & Co., makes a lot of nse of late. He agrees with me.

The stock market is a familiar setng. Analysts have begun to shade eir estimates for the big goods like M and Xerox and more of this will llow. If you believe, as I do, that terest rates will fall substantially, ese stocks within six months will ecome the reciprocal of interest rates d their P/Es will rise despite slugsh near-term earnings power.

If short-term interest rates go below 0%, the savings and loans are steals ven though the next two quarters ill witness a complete contraction of eir earnings margins, thanks to ose 14% CDs they had to offer this inter. The fire and casualty underriters who have benefited from normous investment yields on arply rising cash flow are very eap and obvious beneficiaries of a eclining CPI. Almost all these stocks ll below book value and at 5 times rnings. And then there is the energy ctor, whose earnings are assured for e next few years thanks to OPEC d price deregulation domestically. I lieve that OPEC will modulate its oduction, and if it does, the domes-cs and internationals could show % growth through 1982. ■

"I couldn't believe that just walking could be such good exercise. But it's true."

Will and Tish Grant have discovered that there is a way to get in shape and stay in shape that is simple and fun. More important—it works. They follow these rules:

1. Start gradually. When you begin, just walk briskly for 15 minutes or so each day. (That's right, just walking will improve your circulation and muscle tone.)
2. After a week or two, increase your level of activity a little bit each day. Soon you'll be up to a half an hour a day. Then, when you're ready (your body will tell you when), jog, ride a bike, or swim. Follow one routine or a variety; do whatever you enjoy the most.
3. Set a specific time each day. Perhaps at lunch time or after work. Make exercise a part of your daily routine.
4. Get a friend to join you. Someone to talk to. Make it fun, not a chore.
5. Most important, stay with it.

In the long run, you'll be the winner.

For more information write:
Fitness
Washington, D.C. 20201

PRESIDENT'S COUNCIL ON PHYSICAL FITNESS & SPORTS

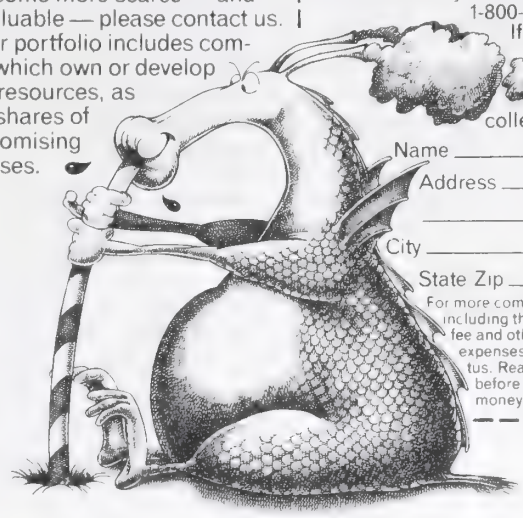
What happens when scarce resources get guzzled up?

We believe they grow in value.

If you're interested in capital growth and see the advantages of investing in natural resources that may become more scarce — and more valuable — please contact us.

Our portfolio includes companies which own or develop natural resources, as well as shares of other promising enterprises.

ROWE PRICE NEW ERA FUND, INC.
A No-Load Fund
100 East Pratt Street
Baltimore, Maryland 21202
1-800-638-5660
If busy, or in Maryland call 301-547-2136 collect.



Name _____
Address _____
_____ A-6
City _____
State Zip _____

For more complete information including the management fee and other charges and expenses, obtain a prospectus. Read it carefully before you invest or send money.

WHY YOU SHOULD MAKE A CORPORATE CONTRIBUTION TO THE AD COUNCIL

The Advertising Council is the biggest advertiser in the world. Last year, with the cooperation of all media, the Council placed almost six hundred million dollars of public service advertising. Yet its total operating expense budget was only $1,147,000 which makes its advertising programs one of America's greatest bargains . . . for every $1 cash outlay the Council is generating over $600 of advertising.

U.S. business and associated groups contributed the dollars the Ad Council needs to create and manage this remarkable program. Advertisers, advertising agencies, and the media contributed the space and time.

Your company can play a role. If you believe in supporting public service efforts to help meet the challenges which face our nation today, then your company can do as many hundreds of others—large and small—have done. You can make a tax-deductible contribution to the Advertising Council.

At the very least you can, quite easily, find out more about how the Council works and what it does. Simply write to: Robert P. Keim, President, The Advertising Council, Inc., 825 Third Avenue, New York, New York 10022.

Ad Council A Public Service of This Magazine & The Advertising Council

The cost of preparation of this advertisement was paid for by the American Business Press, the association of specialized business publications. This space was donated by this magazine.

Myths die hard, but this particular myth really ready for the grave.

INSTITUTIONAL INVULNERABILITY

By David Dreman

"THE INDIVIDUAL investor has no chance to beat the pros in today's market." We began to hear this in the late 1960s, and for a while it was accepted as gospel. Still, I hardly expected this statement to be made with such certainty in April of 1980, but it was. It was made by a well-regarded professor of economics on a panel on which I participated.

"It is inevitable," the professor went on, "that the individual will be eaten alive by the 'big boys.' After all, they control the resources that no single investor can afford—the in-depth analysis and high-level management contacts provided by scores of the country's finest security analysts, the razor-sharp decision-making capabilities of highly trained money managers and the backup of the best financial and computer services that money can buy." Ticking off his points, the professor shook his head and said sadly, "No, not a chance."

When my turn came, I asked him if he knew the bottom line to the professional scorecard, what their formidable research, decision-making capabilities and statistical backup had actually produced. The report card does not exactly rate an *A*. To be blunt, it doesn't even rate a passing grade. They were creamed in 1974, and in the ten years ended in 1978, over 80% of pension fund managers underperformed the S&P's 500. Now, hear this: In over 50 large samples that I compiled between 1929 and 1977 of stocks and industries professionals liked the best, almost 80% did worse than the market the following y Obviously, the "big boys" are rea very fallible, even as you and I.

In theory, the pros are cool and jective. In practice, institutional vestors have more often than not f en victim to the prevailing mar fads and fashions, usually near th peaks. Concept stocks in the 196 followed by the "one-decision" sto in 1972 and 1973. The latter w meant never to be sold, and w not—until they plummeted to ab 10% of their original cost. Not surprisingly, after these experienc the belief became widespread that posure to risky equity markets sho be substantially reduced. The n fashion was bonds. The safety of lo term bonds was widely discove just in time for scores of money m agers to be ambushed in bonds at of the wildest outings since Little Horn (FORBES, *Mar. 31*).

The problem is not one of ine tude but is instead the nature of game itself. Money management, a is practiced, is often a viciously co petitive business, demanding alm instant results to satisfy corporate ents and their legions of hired gun the performance monitors. The pl ers falling behind for long in the ex ing quarterly measuring scales are likely to gain new business and pr ably will lose profitable accou even if they are following strate that are sound for the longer te Inevitably, this leads the pros to p the best performers of the day; current favorites. The results of th tactics have been dismal.

How then does the individual vestor escape from the performa syndrome that entraps so many of talented professional counterparts

One way is to be a stubborn c trarian, steering clear of the fads fashions that so often sweep pro sional thinking. The out-of-fa stocks, by the most common of investment measuring yardstick the price/earnings ratio—have con

David Dreman is an investment counselor in New York, and author of Contrarian Investment Strategy: The Psychology of Stock Market Success.

ently done better than those in favor nd even the market itself. Close to a lozen extensive surveys overlapping a 0-year period attest to the markedly uperior performance of low P/E stocks.

But why, you ask, haven't the savviest investors discovered this and ised the information to their advanage? Principally because of the conviction most experts have that they an make big bucks by accurately orecasting a company's prospects. Companies expected to do well are id up handsomely, and just as consisently, those with poorer outlooks are verdiscounted. A mistake, it turns ut, from the numerous studies that ndicate expert forecasts of compaies' prospects miss the mark time nd again. Sociopolitical, economic, ndustry and company conditions are ust too tricky to pinpoint accurately. As often as not, companies expected o excel falter and many expected to alter do very well.

In a relatively dynamic, competiive economy very few large compaies show high growth rates indefiitely. By the same token, few chalk p losses that drive them out of busiess. For most, it's a case of regresion to the mean—exceptionaly high r low returns are usually not susained but move back to more average ates. This, after all, is the basic priniple of competitive markets. It also xplains why companies with low /Es often do far better than those vith high P/Es. A wide variation in /E ratios is simply not justified by xperience.

Thus, with due respect to the good rofessor, it appears that the individual investor, rather than being overvhelmed, has an excellent chance of utpacing the big guys by buying a list f large, financially sound companies, roviding good yields and trading beow the market multiple.

Some of the better buys to me are *nion Carbide,* the second-largest hemical producer, at a P/E ratio of 4 nd a yield of 7.8%; *Travelers,* one of he largest of the multiline insurers P/E 4, yield 6.5%); *Texaco* (P/E 5, yield .8%) also looks like it has good upide potential. *Alcoa,* now meeting nany of the promises of the Sixties vhen it traded at P/Es near 20, is at 4 imes earnings. Oh, yes—if you think he American automobile industry an survive, perhaps you should have ome *Ford* for your future. Sure, it's in or bad times, but remember, Ford arned $13.35 a share in 1978 and 14.16 in 1977, and could earn that nuch again on the next upslope. ■

American Brands, Inc.

299th COMMON DIVIDEND

A regular dividend at the increased rate of One Dollar and Forty Five Cents ($1.45) per share has been declared upon the Common Stock of AMERICAN BRANDS, INC., payable in cash on June 2, 1980, to stockholders of record at the close of business May 9, 1980.
Checks will be mailed.

C. A. MEHOS, *Executive Vice President & Chief Financial Officer*
April 29, 1980

The American Tobacco Company
GALLAHER LIMITED
The Franklin Life Insurance Company
Master Lock Company
James B. Beam Distilling Co.
Swingline INC.
Wilson Jones
Sunshine Biscuits, INC.
ACUSHNET COMPANY
THE ANDREW Jergens COMPANY
ACME VISIBLE RECORDS, INC
DUFFY-MOTT COMPANY, INC.
W. R. CASE & Sons Cutlery
American Cigar

American Brands, Inc., 245 Park Avenue, New York, N.Y. 10017

RJR

R.J.Reynolds Industries, Inc.

Common Stock Dividend

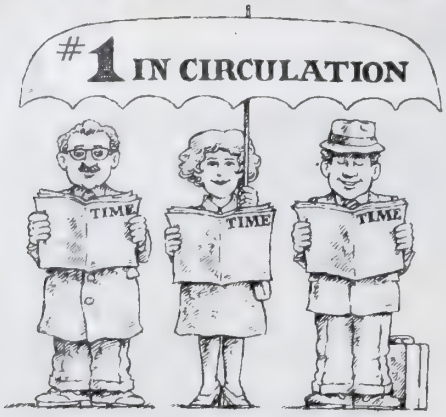
A quarterly dividend of 52½ cents per share has been declared on the Common Stock of the Company, payable June 5, 1980 to stockholders of record at the close of business May 9, 1980.

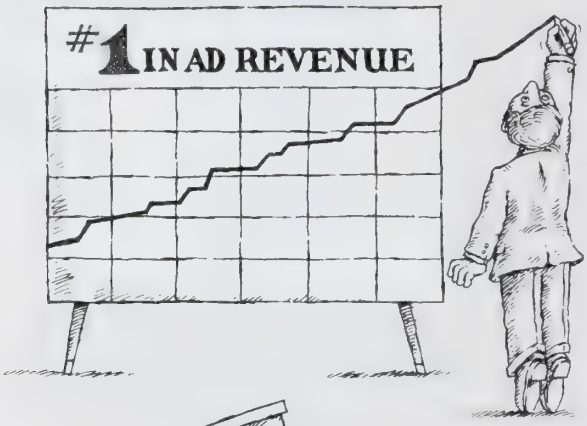
H. C. ROEMER
Senior Vice President,
Secretary and General Counsel
Winston-Salem, N. C., April 23, 1980

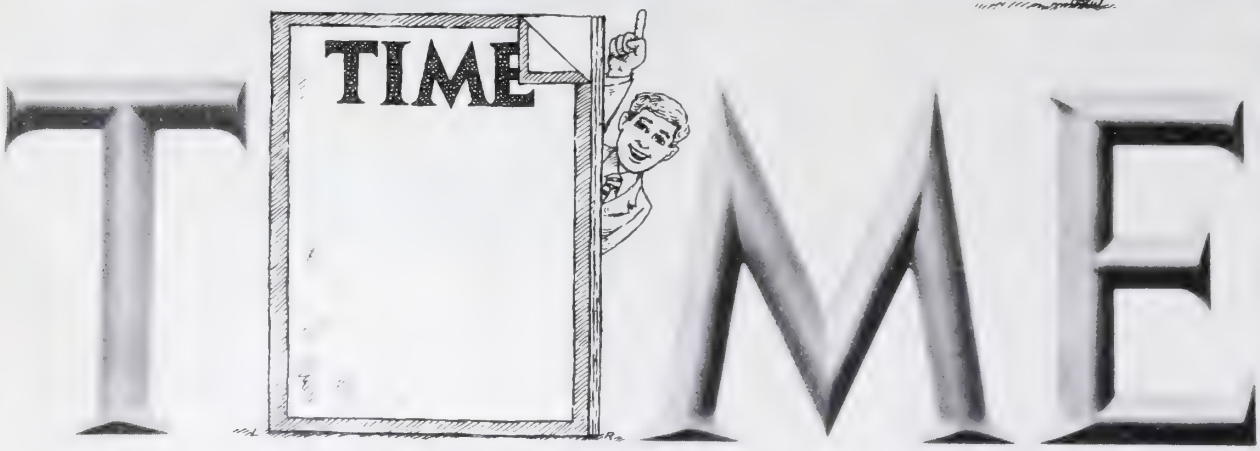
Eighty Consecutive Years of Cash Dividend Payments

Tobacco Products
Del Monte Foods
Fresh Fruit
Convenience Foods and Beverages
Containerized Shipping
Energy
Packaging Products
Specialty Aluminum Products

America's #1 News Magazine







The most colorful coverage of the week

© 1983 Time Inc. All rights reserved

companies covered in news stories and by the columnists in this issue.

157
y 116
116
45
Oil 26
rett Research Lab 33
oup 53
United 108
anks of Florida 9
avenol Labs 120
36
61
9, 56
sting 120
108
56
Arts Book 27
56
minal Systems 68
quipment 45
y & Co 27
Liquid Assets I 145
33, 34, 47
Inds 47
46
Daily Income Trust 145
Tire & Rubber 148
Ford Motor 36, 95, 148, 157
Gamble-Skogmo 56
GE 48
GM 9, 35, 95
Gulf & Western 114
Halliburton 96
Hamilton Watch 20
Harris 45
Hewlett-Packard 47
Insilco 54
Intel 47
IBM 45, 116
Investors Diversified Services 116
Iowa Electric Light & Power 20
Japan Fund 53
Johnson & Johnson 120
Lloyd's of London 12
Magnuson Systems 116
Martin Marietta 47
Matra Group (France) 47
Merrill Lynch 53, 145
Mobil 34
Robert Mondavi Vineyards 121
Morgan Stanley & Co 14
Motorola 47
NCR 68
NL Inds 20
National Bank of South Dakota 9
Nikko Research Center Ltd 54
Overseas Private Investment 14
Pan Am 148
Penn-Dixie 62
J.C. Penney 56
PolyGram 12
Reeves Communications 99
Regie Renault 95
R. J. Reynolds Inds 67
St. Joe Minerals 105
Seagram 67
Sears, Roebuck 56
SEDCO 96
Shell Oil 105
Singer 56
Standard Oil (Calif.) 34
Sun 67
Telecheck Services 9
Texaco 34, 157
Texas Instruments 45
Time 56
Travelers 157
Union Carbide 157
Western Co. of N.A. 96
Weyerhaeuser 56
Xerox 47

Do you know anybody who is somebody in business who does not read Forbes Magazine?

Forbes: Capitalist Tool

Thoughts
on the Business of Life

For your own peace of mind, as well as for the sake of all we come in contact with, it behooves each one of us to create as pleasant and attractive a world as lies within our power. Remember, we have to live in our own worlds. You cannot live in my world; I cannot project myself completely into your world. What kind of world are you creating for yourself?
B.C. Forbes

We do not remember days, we remember moments.
Cesare Pavese

Offensive objects, at a proper distance, acquire even a degree of beauty.
William Shenstone

The beautiful remains so in ugly surroundings.
Malcolm de Chazal

We ascribe beauty to that which is simple, which has no superfluous parts; which exactly answers its end; which stands related to all things; which is the mean of many extremes.
Ralph Waldo Emerson

Everything has its beauty, but not everyone sees it.
Confucius

A Text . . .

He hath made every thing beautiful in his time: also he hath set the world in his heart, so that no man can find out the work that God maketh from the beginning to the end.
Ecclesiastes 3:11

Sent in by James J. Ciresi, Louisville, Ky. What's your favorite text? The Forbes Scrapbook of Thoughts on the Business of Life is presented to senders of texts used.

Men do not attract that which they want, but that which they are.
James Allen

I like to see a man proud of the place in which he lives. I like to see a man live so that his place will be proud of him.
Abraham Lincoln

That you may be loved, be lovable.
Ovid

We do not by nature seek society for its own sake, but that we may receive some honor or profit from it.
Thomas Hobbes

Our lives are not orchestrated to harmonize perfectly with everyone around us.
Arnold Glasow

We must all recognize as a fundamental fact of social life that no freedom is absolute. Every freedom is limited by its consequences for other freedoms.
William D. Bonis

I am always longing to be with men more excellent than myself.
Charles Lamb

More than 3,000 "Thoughts," indexed by author and subject, are available in a 574-page book at $11.95. Send check and order to: Forbes Inc., 60 Fifth Ave., New York, N.Y. 10011. Add appropriate sales tax on New York State orders.

You can close your eyes to realities but not to memories.
Stanislaus J. Lec

The world is the best of all possible worlds, and *everything* in it is a necessary evil.
Francis Herbert Bradley

Sin makes its own hell, and goodness its own heaven.
Mary Baker Eddy

The hallway of everyman's life is paced with pictures; pictures gay and pictures gloomy, all useful for, if we be wise, we can learn from them a richer and braver way to live.
Sean O'Casey

A man has to live with himself, and he should see to it that he always has good company
Charles Evans Hughes

We ought to belong to society, to have our place in it, and yet be capable of a complete existence outside it.
Philip Hamerton

There are few persons today who even desire, let alone fight for, the private life.
David Reisman

Neither give offense to others, nor take offense from them.
Saint Ambrose

Our human nature likes more destroy than to build, more to cry than to smile, and more to correct the world than to love and embrace the world.
Sri Chinmoy

Happiness is inward, and not outward; and so it does not depend on what we have, but on what we are.
Henry Van Dyke

We walk to Tokyo three times a week.

When your company works hard for money, money should work hard for your company.

The Chemical Solution: ChemSphere℠ Consulting.

ChemSphere Consulting puts your company's money to work full-time.

How hard your company's money works depends on how efficiently you collect, use and disburse it. ChemSphere consultants identify and analyze your cash management problems, then give you objective, as well as effective, solutions. So night or day, whether your company's money is here or abroad, you know how to make it work hardest for your company.

ChemSphere Consulting solutions are already working for hundreds of organizations worldwide.

Companies, financial institutions and governments around the world are already profiting from our proven cash management consulting services. And so can you, no matter how unique or complex your cash management problems are.

A team of consultants that's part of the solution, not part of the problem.

ChemSphere cash management consultants are experts who offer you a broad range of experience, from banking and economics to finance and computer technology. They make it their business to define your cash management problems, and to provide objective solutions tailored to meet them.

Tell us about your cash management problems. We'll tell you about the Chemical solutions.

Mention ChemSphere Consulting to your Chemical account officer. Or write W. D. Baird, Jr., Senior Vice President, Chemical Bank, 20 Pine Street, N.Y., N.Y. 10005. Or call us at (212) 770-3600. We'll tell you more about how cash management problems disappear with the Chemical solution.

CHEMICAL BANK

Leader in worldwide cash management.

Forbes

BURLINGAME
MAY 28 1980
LIBRARY

MONEYMAN FAYEZ SAROFIM

AN OLD-FASHIONED OPTIMIST

23
320 08317

GRAND AWARD. THE ONLY 12 YEAR OLD CANADIAN WHISKY.

12 years. That's how long this Canadian whisky takes.

12 years to allow a blend of the finest whiskies to marry perfectly. To achieve an unrivaled smoothness. And an absolutely remarkable richness of taste.

Grand Award. No other Canadian whisky tastes like it.

No other is presented at 90.4 proof.

And in the tradition of items of rare and exceptional quality, *only a limited amount of Grand Award is available each year.*

©1979 GRAND AWARD – 12 Years Old. 90.4 Proof. Imported in the bottle from Canada by Hiram Walker Importers, Inc., Detroit, Mich. Blended Canadian Whisky

Senior Executives

BURLINGAME
MAY 28 1980
LIBRARY

How To Win New Jobs From $50,000 To $300,000!

Do you know the one organization in America that has the most experience at marketing executives into better jobs?

It's Robert Jameson Associates, an affiliate of Performance Dynamics International, the nation's leading outplacement consulting firm.

While we market executives at all levels, our program for those of you worth from $50,000 to $300,000 is based upon some very special knowledge and insight. In fact, if you are qualified for our assistance, the chances are that a marketing program by Robert Jameson would bring you more interviews and offers than you could ever hope to achieve on your own.

What is the marketing program of Robert Jameson Associates?

Briefly, it's an intensive effort, one that requires the assignment of a team of top-flight professionals to help each person meet highly individualized job search goals.

Our objective is to introduce our clients to opportunities offering challenge, stature and financial reward; to maximize their ability to grow; and to enable them to win jobs which satisfy their needs for contributing to an organization.

How do we do this? Well, we start by identifying their marketable assets, pinpointing career and industry options . . . and developing a detailed "game plan" for getting interviews on a discreet basis.

We then update them on the latest search techniques . . . write all resumes and letters . . . handle all printing . . . and when advisable, sharpen their presentation skills in our color television studios.

When they are ready to go into the job market we also supply contacts. This is done through a sophisticated Computer Information System covering most of the nation's employers, and it's an incredible time saver.

(By the way, we're also the only firm in the U.S. with a research department that can put an executive in touch with 85% of all newly released openings . . . and that's in all areas, from London to Seattle, and from Los Angeles to Boston.)

For most senior executives, we manage the entire effort . . . do all the hard work . . . and market them to carefully selected organizations throughout the world. As part of our work, we then continue assisting each client right up through negotiation of the complete financial package and contract.

What types of executives are marketed by Robert Jameson?

Robert Jameson Associates has successfully marketed top executives from all walks of life. Our clients have included presidents of Fortune 500 companies, retiring admirals and generals, former political leaders and university presidents.

One of the reasons for our success is our own select group of professionals. Their experience cuts across all of American industry, and they are the country's foremost experts in executive marketing.

Another reason, quite frankly, is that we are highly selective. We accept as clients, for our senior executive program, only those who with our assistance can reasonably expect to attain their desired goals, and who are as committed to excellence in their field as we are in our own.

What are the costs, and how much time does it take?

The precise cost depends on exactly what we do in each situation. However, our professional fees are 100% tax deductible. Also, one of the best parts about Robert Jameson Associates is that we have a wide range of capabilities and we can tailor our program . . . depending on how we assess your needs.

As far as timing is concerned, the speed depends upon the specifics of your situation, and how fast you wish to move.

Here's what others say

Business Week has written 2 articles on just some of Robert Jameson's ideas and called them *"indispensable."*

Personnel Magazine said the Robert Jameson system is *"a breakthrough."*

In the last year alone, our ideas have been the subject of articles in more than 200 media.

How to learn more without cost or obligation

To discuss your personal situation and to find out if we have a mutual interest, we invite you to call or write *in total confidence,* Mr. Henry Lesher of our Senior Executive Division at (201) 887-8800. After a preliminary assessment of your situation, we'll be happy to forward full information about our firm, and the types of assistance we can make available to you.

Robert Jameson Associates

Executive Marketing and Corporate Outplacement

Corporate Headquarters:
400 Lanidex Plaza, Parsippany, New Jersey 07054
Telephone: (201) 887-8800 – Other offices in:
Atlanta · Boston · Chicago · Cleveland · Detroit · Long Island · New York · Philadelphia · Pittsburgh · Stamford and Washington, D.C.

Forbes

June 9, 1980
Volume 125, Number 12

Cover Story: How and why Fayez Sarofim, Houston's brilliant Egyptian-born money manager, makes a strong case for the prospects of the U.S. economy. **89**

Features

Companies: *Nothing To Complain About.* Why did Homestake Mining raise its dividend and split its stock last month, just after gold prices tumbled 40%? Simple: Even at $500 an ounce, gold is twice what it was last year, and Homestake seems a cinch to top 1979's net earnings by a big margin. 34

Banking: *Here Comes BCCI.* Remember the name: The Bank of Credit & Commerce International. 35

China: *The View From Peking.* China's top policymaker tells a FORBES reporter that Afghanistan is only the beginning in the Soviet Union's drive to dominate south Asia and the Middle East and encircle Europe. Next target, says Deng Xiaoping: the Strait of Malacca. 36

China: *The Twain Do Meet—But Slowly.* Doing business with the Chinese requires contacts and patience. 37

Government: *"They Got Me Down As A Militarist."* Actually, says Senator Ernest Hollings of South Carolina, "I just don't think folks making $15,000 to $18,000 a year should be paying taxes to give three meals a day to people making $10,000 a year." Last month Hollings succeeded Ed Muskie as head of the Senate Budget Committee—which is why the chances of a balanced federal budget have probably improved a bit. 38

Railroads: *One Good Merger Deserves Another.* So Santa Fe is answering Union Pacific with what could be one of the biggest ever. 39

Tax Reform: *Dubious Propositions.* California voters may not pass the much-discussed Proposition 9, but what about "Prop 11," a gun aimed right at business? 40

Companies: *What Can Be Worse Than A Weak Curre* A strong one. Ask Rolls-Royce. .....

Companies: *The Billion-Dollar Engines.* Like everyt else, Cummins Engine's Henry B. Schacht is looking the maw of another recession. But Schacht has to kee eye on the middle distance, too. .....

Cities: *Renaissance For Rent.* The Renaissance Cer shining symbol of the new Detroit, is having some of old Detroit's problems. .....

Faces Behind The Figures

David Rockefeller, *Chase Manhattan Bank* .....
Dorman L. Commons, *Natomas Co.* .....
Charles M. Bliss, *Harris Bankcorp* .....
Tadanobu Usami, *Japanese labor leader* .....
Gary E. MacDougal, *Mark Controls Corp.* .....
Nicholas Goodison, *London Stock Exchange* .....
Lord Nicholas Kaldor, *economist* .....

Companies: *Too Hot Not To Cool Down?* Raymond Z merman's Service Merchandise is the fastest-growing cc pany in the $9 billion catalog showroom business, but it l lost nearly half its market value in a year. Is the game ove this hot new industry? Probably not. .....

Companies: *Southern-Fried Religion.* At Chick-fil-A, seems to work pretty well. .....

Affirmative Action: *The 7% Solution.* The governme wants women to hold nearly 7% of the jobs in the constr tion industry. But can the bureaucrats make that mand stick when the layoff rate among hard hats is 15%? .....

y: When Exxon nto shale, old-tim- Colorado used to t'll be real. Now 's in it. **33**

Railroads: What is the only unfailingly bright spot for General Motors these days? Railroad locomotives. **41**

The Up-And-Comers: How can Ernest Gelles' market be stable yet stratospheric, mature but exploding? Read on. **61**

The Overachieving Ribouds: Everywhere you look, on both sides of the Atlantic, there seems to be one. **76**

Companies: Can the wonder drug Capoten put Squibb on the threshold of real greatness? Don't be too sure. **110**

Features

tments: *"We've Got Problems In This Country."* e Fayez Sarofim, Robert Gintel is sitting on a lot of nd is prepared to sit a while longer. 96

Numbers Game: *Of Debt And Taxes.* The IRS has just up with a set of proposed regulations that may prove rous for small business. Right now, few businessmen even heard of them, and fewer still understand them. the authors weren't aware of the huge problems they ring to small businessmen by revising the definitions t and equity. 101

tical Spotlight: *Hope Springs Eternal.* Warrants are tely a long shot—but with advantages. 102

ers: *Buyers Beware!* Are the banks being tempted to the Fed's warning against "unproductive" loans for rate acquisitions? In view of the problems corporare having digesting the ones they've already made, d needn't worry. 106

panies: *Software Girl Marries Hardware Boy.* The uter giant that would be created by the merger of ge Technology and Amdahl Corp. doesn't have a name ut it has several things going for it—including a rich across the Pacific. 108

tical Spotlight: *Casing The Banks.* Time was, you d at asset growth and loan losses to figure how bank ngs were likely to fare in the near term. But the ng moves in interest rates have changed that. Here's a timely way to do it. 112

es: *It Ain't Hay, But Is It Clover?* Compensation of tion's 801 top executives. 116

The Economy: *Is The Fed Letting Up?* If you read falling interest rates that way you're dead wrong, says Fed Governor Emmett J. Rice. Interest rates merely bring supply and demand into balance. The Fed's concern is with supply, and it will stay tight. 151

Columnists

Ben Weberman 152
Heinz H. Biel 154
Stanley W. Angrist 156
John Train 158
Anne C. Brown 160
Srully Blotnick 162
Robert P. Murphy 164
Ashby Bladen 166

Departments

Side Lines 6
Trends 10
Follow-Through 16
Flashbacks 18
Readers Say 20
Fact and Comment 25
Other Comments 28
Editorial Index 171
Thoughts 172

Photos: p. 6, Charles West; p. 16, David Margolis/Black Star; p. 33, John Chang McCurdy; pp. 34, 38 left, 40, Peter Tatiner/Gamma Liaison; p. 35, Financial Times; p. 36, Pekin/Gamma Liaison; p. 38 right, Bruce Hoertel; p. 43, Pictorial Parade; p. 44, Tom Hubbard/Black Star; p. 49, Dan McCoy/Black Star; p. 53 left, Arthur Lavine; p. 53 right, John McDermott; pp. 54 left, 56 left, Art Shay; pp. 56 center, 61, 67, Patrick Pagnano; p. 56 right, John Moss/Black Star; p. 68, Dana Thomas; p. 72, Judith Gefter; p. 76, Bill Kelly; p. 79, Alain Jullien/Sygma; p. 80, Magnum; p. 84, Leroy Woodson Jr.; pp. 89, 90, 91, Marc St. Gil; p. 92, Christopher Springmann/Black Star; p. 93, John Grossman; p. 96, James Caccavo/Empire; p. 108, Carl Iwasaki

Drawings: p. 106, Chas. B. Slackman
Maps and Charts: pp. 39, 151, Andrew Christie

Cover Illustration: Michael Garland

Forbes (ISSN 0015 6914) is published biweekly by Forbes Inc., 60 Fifth Ave., New York, N.Y. 10011. Second-class postage paid at New York, N.Y. and at additional mailing offices. Subscription $27 a year, U.S.A. Postmaster: Send address changes to Forbes, 60 Fifth Ave., New York, N.Y. 10011.

Copyright © 1980 Forbes Inc.

There's on
on the w
technological

The plane is the Lockheed L-1011 TriStar and the engine is the Rolls-Royce RB211. The most technologically advanced combination available; a combination that airlines have found hard to resist.

In recent months, the demand for L-1011s has been higher thar any time since the initial flood c launch orders. Pan Am, the wo most experienced airline, is now operating the L-1011-500 with orders and options for 26 airpla

Fuel economy was a major

ne engine d's most dvanced Trijet.

deration in Pan Am's selection.
ey said, the L-1011-500 will
de the lowest cost per plane
of any of the wide-bodied inter-
nental aircraft."
his saving is due to the com-
ion of the advanced Lockheed
airframe and its Rolls-Royce engines.

Perhaps that's why, on every single L-1011 ever built, there's only one engine.

Rolls-Royce.

ROLLS-ROYCE INC., 375 PARK AVE
NEW YORK, NEW YORK 10022

ROLLS ROYCE

Forbes

Editor
James W. Michaels

Managing Editor
Sheldon Zalaznick

Executive Editors: Dero A. Saunders, James Cook
Economics Editor: Ben Weberman
Art Director: Everett Halvorsen
Senior Editors: Ruth M. Gruenberg, Robert J. Flaherty, Geoffrey Smith, Howard Rudnitsky, Jefferson Grigsby, John A. Conway, Stanley H. Brown, Malcolm S. Forbes Jr., Paul Gibson
Contributing Editors: Richard Phalon, Clemmie Spencer
Associate Editors: Jean A. Briggs, Subrata N. Chakravarty, Thomas C. O'Donnell
Staff Writers: Harold Seneker, James O'Hanlon, Allan Sloan, Carol E. Curtis, Stanley Ginsberg
Reporters: Betty Franklin, Richard Greene, Steven Flax, Thomas Jaffe
Reporter-Researchers: Flora S.H. Ling, Chief; Gerald Odening, Linda Gasparello, Christine Miles, Alyssa Lappen, Jane Carmichael, Thomas Baker, Jeff Blyskal, Anne Bagamery, Tom Chesser, Newcomb Stillwell
Washington Bureau: Jerry Flint, Manager; Beth Brophy, Ann Hughey
West Coast Bureau: John Merwin, Manager; Kathleen K. Wiegner, Michael Kolbenschlag, Nick Gallucciio, Ellen Paris, William Harris
Southwestern Bureau: Phyllis Berman, Manager; Tedd A. Cohen, Toni L. Mack
Midwestern Bureau: Bob Tamarkin, Manager; Lisa Gross
European Bureau: Lawrence Minard, Manager; Barbara Ellis
Copy Department: Donald E. Zipperer, Chief; Marlene Mandel, Deputy; Dolores Guilhot, Jane Lashaw
Art Department: Roger Zapke, Ronda Kass, Assistant Directors; Nikki Frost, Photo Editor; Philip Gefter, Assistant Photo Editor
Columnists: Heinz H. Biel, Thomas P. Murphy, Stanley W. Angrist, John Train, Martin T. Sosnoff
Director of Production: John J. Romeo, Robert M. Rosengarten, Edward B. Morgan, Robert D. McDaniel, Assistants
Advertising Production: Patricia Deckelnick
Photocomposition: James Cianelli, Manager; Karen Heuler, Assistant; Lynn Gaspar, Johnnie English, Arthur Petz
Information Services: Robert M. Sterenson, Manager
Library: Dolores A. Lataniotis, Chief; Clarita Jones, Santiago Alvarado, Gloria Katz
Statistics: Donald E. Popp, Editor; Maria M. Latorraca, Associate Editor; Edward Sakalian, Ann Oliver, Paul Bornstein, Tom Kue, Steve Kichen

President and Editor-in-Chief
Malcolm S. Forbes

Publisher
James J. Dunn

Executive Vice President
Leonard H. Yablon

Vice President and Secretary: Malcolm S. Forbes Jr.
Vice President and Controller: Joel B. Redler
Vice President and Treasurer: Leonard Greenberg
Vice President and Assistant Publisher: Christopher Forbes
Director of Advertising: Stephen G. Nicoll
Director of Corporate Communications: Wm. Donald Glasson
Director of Circulation: John M. Thornton
Director EDP: Jerome Hartman
Advertising Representatives:
New York: [illegible] Fifth Ave., 10011
Peter M. Schoff, Manager; (212) 620-2232
Arnold J. Friven, Fin'l Adv. Mgr.; George C. Clissold; Donald W. MacDonald; G. Croft Henry; John Wilson; Richard Calkins; Ellen S. Dweck; Kevin D. Miller; James W. LaCingnola, Dir. Int'l Adv.; H. Duncan McMillan, Dir. Spec. Proj.; Thomas G. Petersen, Co-Dir. Spec. Proj.
Atlanta: [illegible] Pharr Rd., N.E., [illegible]
Charles S. Thorn Jr., Manager; (404) 233-2457
Chicago: 435 N. Michigan Ave., 60611
Richard W. Reynolds, Manager; (312) 467-5000
James H. Malone, Fred H. Weinstein
Cleveland: Suite 501, The Leader Building, 44114
James B. Norton, Manager; [illegible]
Dallas: 4681 First National Bank Building, 75202
Donald R. Brown, Manager; (214) 742-7001
William R. Arnold, Co-Dir. Spec. Proj.
Detroit: 3331 West Big Beaver Rd., Troy, Mich. 48084
Richard E. Forbes, Manager; (313) 643-0105
Los Angeles: 5900 Wilshire Blvd., 90036
Craig E. Miller, Manager; [illegible]
San Francisco: [illegible] Market St., [illegible]
John B. Cunningham, Manager; (415) 788-2366
Classified: Sarah Madison; (212) 620-2371
60 Fifth Ave., New York, N.Y. 10011

Mgr. Subscription Service: T.M. York
60 Fifth Ave., New York, N.Y. 10011

PAID CIRCULATION OVER 680,000

FOUNDED 1917 BY B.C. FORBES (1880-1954)

Side Lines

Money Men revisited

Forbes introduced its regular Money Men feature in November 1968. The subject of the first profile was Arthur Rock, the San Francisco venture capitalist. Editor Jim Michaels, who developed the idea for the feature and shaped its form, interviewed Rock. When the interview was over, of course, Michaels had just one more question: Were there some other money managers Rock particularly respected that Forbes ought to know about? In reply, Rock pointed in a southeasterly direction and recommended that Forbes look into a money manager in Houston with the exotic name Fayez Sarofim.

Senior Editor Rudnitsky and Arabic issue Consultant El-Ayouty

Forbes caught up with Sarofim early in 1969. Sarofim, Egyptian-born and U.S.-educated, was relatively obscure in those days, even within the Houston business community. Although it had taken him only a decade to build his business to the point where he had some $1 billion in pension and endowment funds in his care, the financial press was scarcely aware of him. "How did you come so far so fast?" we had asked, among other things, in 1969. His reply is as relevant today as it was then. Because he was a foreigner, he said, he simply didn't worry about some of the "problems" that seemed to distress so many U.S. money managers. "At every turn during my ten years in business," he said, "there have been hordes of doubters—worried men preoccupied with fears of lurking disaster. But look at what has really happened and promises to ke happening. . . ."

Forbes caught up with Sarofim in mid-1974. The stock market a time was a disaster area, with the ge economy in the sharpest recession World War II and many individual s selling at their lowest prices in dec Sarofim, however, saw only bar While so many other money men getting out of stocks into bonds, Sa kept on buying.

A few weeks ago, with the ecor again in recession and hordes of dou again in evidence, Forbes called on fim again. That led to further conv tions and the result of all of them is cover story in this issue *(see p. 89)*. I long visit with Sarofim in Houston in subsequent talks, it became clea Senior Editor Howard Rudnitsky and Yassin El-Ayouty, Editorial Consult to our annual Arabic edition, that Sa fim retained a unique vision of the U economy, a keen sense of what's go on at the moment coupled with a c stant awareness of history.

Fayez Sarofim had paid something c price, however, over the years. Over l coffee and croissants in his Houston fice, Egyptian-born El-Ayouty had pas along to Sarofim recent copies of so Cairo newspapers, thinking he would e joy encountering his mother tong again. Sarofim smiled, sighed and sa "I've been away so long I can hardly re Arabic anymore."

OF COURSE OUR PARTNERS HAVE A HEAD FOR FIGURES.

(They wouldn't represent a major CPA firm if they didn't.)

BUT THEY'RE NOT FIGUREHEADS.

(They wouldn't represent Laventhol & Horwath if they were.)

ery national Certified Public Accounting firm—
luding Laventhol & Horwath—has partners with
pressive credentials. But that doesn't mean much for
ur company unless the partner who is *assigned* to
ur business, really gets *involved* in your business. At
venthol & Horwath, our partners get involved.

The L&H partner who works with you has the
ckground and experience to understand your indus-
as well as your company. When you need him, he is
ere offering that added perspective that may help
rease the efficiency of your operation.

When a Laventhol & Horwath partner doesn't
ve the answers on hand, he knows where
get them. Each one of our partners has
entire worldwide network of experts
d specialists at his command. On any
ecific matter, he may refer you to other
ofessionals within the firm, but your
partner-contact always stays on top of the situation.

Our philosophy of partner involvement has helped Laventhol & Horwath become one of the nation's largest CPA firms. We have offices in 34 domestic cities as well as direct representation through Horwath & Horwath International in 50 countries around the world. We have over 60 years of experience in providing a range of accounting, tax and consulting services to all industries. And the development of specific programs has helped us build a reputation as leaders in such industries as Health Care, Real Estate and the Leisure Time industry.

When your company deals with any office of Laventhol & Horwath, you deal directly with a partner who offers sound accounting practices plus insight into your specific needs. At L&H, we don't have any figureheads. It just doesn't figure.

Laventhol & Horwath

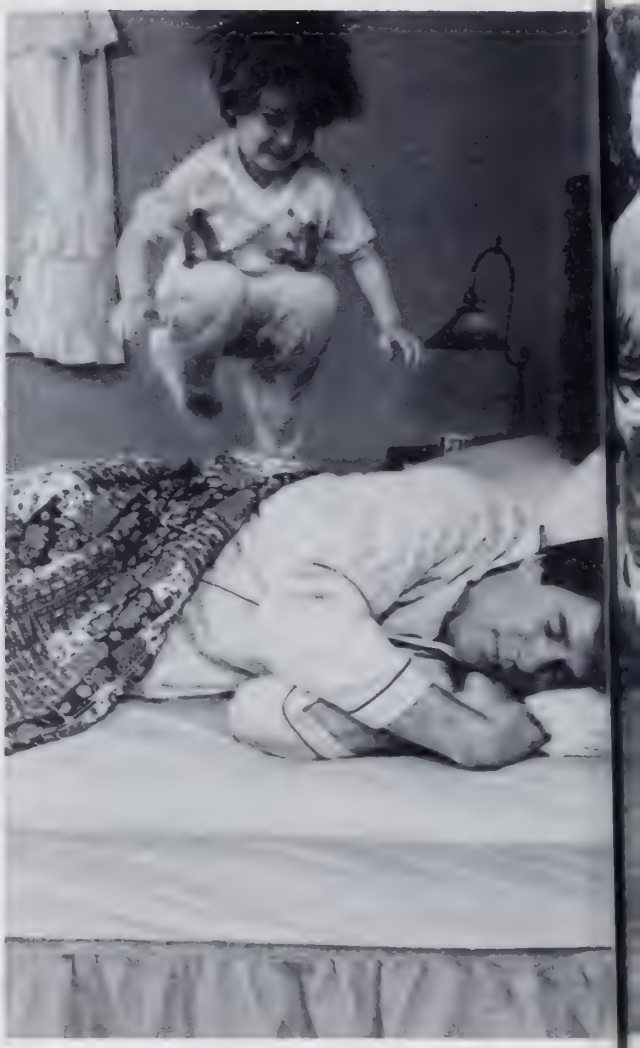
CERTIFIED PUBLIC ACCOUNTANTS

UR PARTNERS WORK WITH YOU. THAT'S WHY THEY WORK WITH US.

Laventhol & Horwath U.S. Offices: Anchorage, Alaska • Atlanta, Georgia • Atlantic City, New Jersey • Boston, Massachusetts • Carbondale, Illinois • Charlotte, North Carolina • Chicago, Illinois • Cleveland, Ohio • Dallas, Texas • Denver, Colorado • etroit, Michigan • East Brunswick, New Jersey • Harrisburg, Pennsylvania • Houston, Texas • Kansas City, Missouri • Las Vegas, Nevada • Los Angeles, California • Melville, Long Island, New York • Miami, Florida • Minneapolis, Minnesota • Newport Beach, California • New York, New York • Philadelphia, Pennsylvania • Portland, Oregon • Providence, Rhode Island • St. Louis, Missouri • San Diego, California • San Francisco, California • San Juan, Puerto Rico • Seattle, Washington • Tampa, Florida • Tucson, Arizona • Washington, D.C. • Wilkes-Barre, Pennsylvania.

©1980 Laventhol & Horwath, Philadelphia, PA

When Goodyea
you com



Ahead in stopping power

Goodyear has been the world's leading producer of aircraft brakes for many years. Space age materials are helping to maintain that leadership. Goodyear carbon disks weigh less than half as much as steel brake disks—and last nearly three times longer. Developed for the Air Force, they're now being used on business jets.

Ahead in comfort

Goodyear's Airfoam II mattress cores give you far more comfort than old-fashioned "slab-of-foam" designs. Their special high-resiliency foam is mold into hundreds of individual pillows, engineered to give you support that fits your body. They're firme under your chest and hips, softer under your hea and legs. Only Goodyear makes this kind of form-fitting mattress core.

Airfoam II® Tiempo®—The Goodyear Tire & Rubber Company

noves out front, out ahead

Ahead in keeping fit

er America, people are jogging on Goodyears. upply more athletic soles to the U.S. shoe in- y than anyone else. It's not surprising—we've in the shoe business since 1904. And our tire nology has been a big help. After all, a good ng shoe and a good tire have a lot in common— traction, comfort, and long wear.

Ahead in all seasons

The Goodyear Tiempo is a tire for all seasons. Its special tread is designed to dig in on snow, but run quiet on dry roads. Snow tire, rain tire, sun tire—Tiempo gives you all-year-round performance. No wonder America made it Goodyear's best-selling new tire ever.

GOODYEAR

Out front. Pulling away.

Uncle Sam's railroad

Uncle Sam has controlling interest in a defunct railroad and doesn't know what to do with it. During 12 years of reorganization, the bankrupt Central Railroad of New Jersey (now called Central Jersey Industries) paid back some federal loans with stock, so the Justice Department now has 24% of it. John Broadley, the Justice lawyer in charge, calls the whole thing "somewhat of an embarrassment" and says Washington is still mulling what action to take at the company's annual meeting in June. "The government has found itself in the position of not wanting to run the company," he says, "but, on the other hand, of not wanting to sit back, watch and do nothing." (The government did end up with bigger dollar holdings in the Penn Central but they represented only 1% to 2% of the stock.) The stakes in Central Industries are not small. It owns about $30 million in real estate and right-of-way and $20 million in cash; still to come is $60 million to $100 million more from Conrail, which took over Central's tracks and trains in 1976. The shareholders will vote in June on whether the company should be liquidated or stay a holding company and thus be able to use its $66 million tax-loss carryforward to make acquisitions. Either way, says Jack Kneafsey, a Bache Halsey Stuart analyst who follows the stock, the government should do all right. The shares (traded on the Philadelphia exchange), Kneafsey says, are "dramatically" underpriced.

Cracks in the nest egg

The Japanese, whose thrift is one of the wonders of the world, are displaying the first signs of the buy-now-pay-later syndrome. The country's savings rate ran about 22% of income through most of the 1970s (compared with about 6% in the U.S. and 14% in West Germany). This year, however, while real income has slipped a little, consumption has held up, sure evidence that the Japanese are dipping into savings. Also, for the first time in more than 20 years, Japan's Postal Savings System, the biggest depository in the country, showed a smaller year-to-year increase in deposits. The Japanese do borrow, of course—one bank survey shows that consumer loans have increased almost 14% over the past four years—but 90% of their debt has been for housing. In the U.S., by contrast, home loans account for about 75% of consumer borrowing. The Postal Savings System trend, if it persists, could spell real trouble for Tokyo as those savings are used to back any government investment programs that fall outside the general budget. Any slowing of growth in bank savings, moreover, will shrink the yen available to fund the government's big bond issues.

The not-so-golden years

The groundswell of groans from retired Americans about inadequate income is echoed in the feelings of workers who still have the so-called golden years ahead of them. That is the heart of the findings of a survey of 6,600 households by the President's Commission on Pension Policy. "Our survey found a profound pessimism in this country about retirement prospects," Thomas Woodruff, the commission's executive director, told the Senate. A sobering 63% said they did not expect their retirement income to cover their needs. Nearly 89% expected to get Social Security benefits, and almost 58% expected those checks to be their primary source of income. Less than 48% were counting on private, employer-based pensions, and only about 22% expected them to provide their main support. Reflecting the American inclination to opt for the grasshopper over the ant, a scant 15% of the households planned to rely on their savings. And less than 2% were banking on families or children to comfort their old age.

The power behind inflation

Electricity in the U.S. has always looked like a bargain compared with the rest of the world, but that is changing—fast. During the year that ended Mar. 30, the cost of power in the U.S. rose 26.1%, while other prices by the most commonly used measure went up 14.7%, according to a study by National Utility Service, a New York-based consulting firm with more than 23,000 clients around the world. (It monitors utility bills, keeps half of any savings.) The huge U.S. increase contrasted with results in countries where power prices stayed in step with others. In Australia, for instance, electricity went up 9.2%, inflation 10.6%. West Germany's inflation rate was 4%; its electricity went up 3.4%; South Africa's rates climbed 13.3% *vs.* inflation of 13.2%; Great Britain paid 17.9% more for power while its inflation hit 18.1%. Fuel was a big factor, the study found; countries relying primarily on coal had electric-cost rises closely paralleling other prices. Government policy also helped. Germany subsidizes its coal industry, for example, and South Africa's utilities have pledged themselves to keep costs at or below inflation rates through 1984. Americans, it's true, still have an edge, but it's fast disappearing. In March 1979, a kilowatt-hour in West C cost 5.3 cents; in March 198 cents. In the U.S. a kilowatt ho cents in March 1979, cost 4.31 1980. And even recession won according to National Utility S executive vice president, Sarkis S ian. "It's a catch-22," he says. "U tric costs will continue to soar utilities will have to raise prices revenue lost from conservation creased demand."

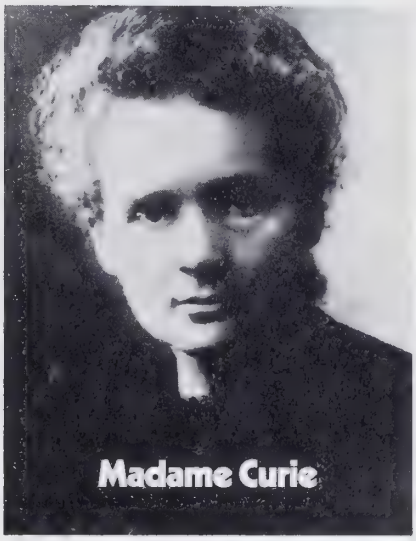
Agnelli in America

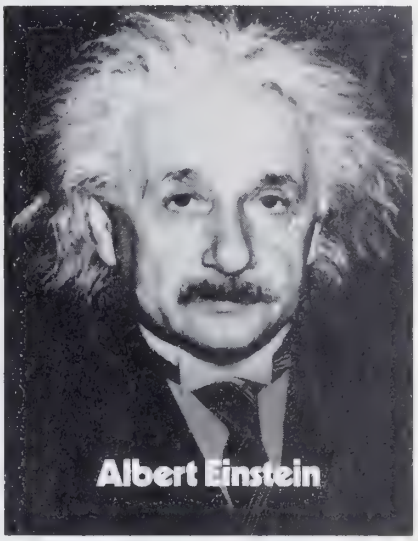
Detroit may be stuck in low ge foreign investors are finding th auto-parts-replacement market a one. IFINT, an arm of Italy's Gi Agnelli (Fiat automobiles, tractors trucks, etc.), has swept up four s placement-parts manufacturers last three years: Moog, the St. maker of wheel-alignment equi CR Industries, gaskets and sealin lero, brakes; and OEM Industries ing and emissions gear. IFINT's U sets now amount to about $300 m over 70% in parts-replacement That is hardly a threat to rivals lik billion TRW Inc. or $2.8 billion Corp., but IFINT might claim a s cant market share. Jack Creamer, necticut auto consultant wh worked closely with press-shy IFIN other acquirers in the field, says Agnelli interests: "They paid a pre for these profitable, well-managed panies. CR and Moog especially family operations, premier compan their special fields, returning 7% taxes." Meanwhile IFINT has its e more growth, according to Creame is "aggressively searching" for auto-parts-replacement companie buy with its 60-cent dollars.

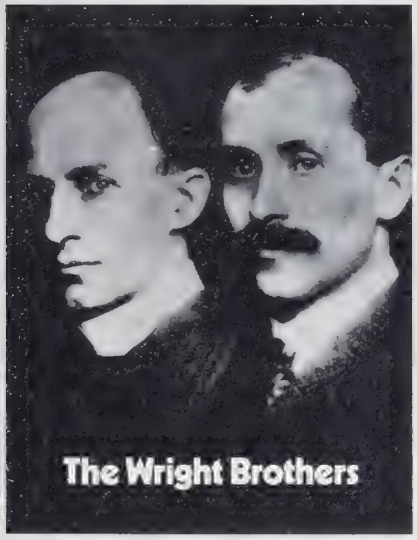
Did anyone notice?

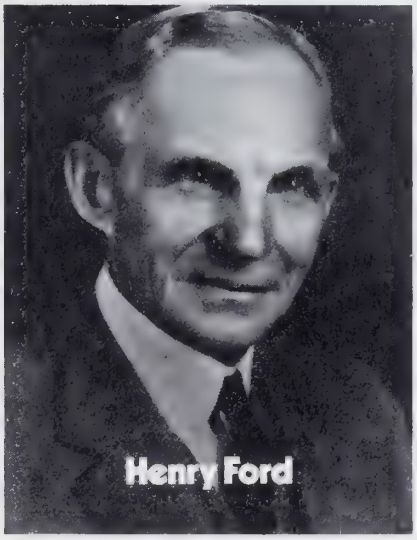
Despite the inflation surge, real per ta income in the U.S. actually wer 2%, according to the way the Comm Department figures things. Incom creased 11% last year, to $8,706, department says, while prices, meas by what it calls the "implicit price d tor," rose 8.8%. The 2.2% differen the increase in real income. The defl one school of analysts claims, is accurate than the Labor Departm Consumer Price Index (which clim 13.4% in 1979) because the latter more emphasis on mortgage inte rates. The CPI, these analysts say, t to overstate housing costs becaus treats mortgage rates as if every famil the country was in the market at same time. States with the largest

Great problem solvers of the 20th century.









First there was Freud.

Then Madame Curie.

Then Einstein, the Wright brothers, Henry Ford and Leo Brandstatter.

Leo Brandstatter?

Like all AIG Risk Management account executives, he's doing for his profession what other greats have done for theirs.

Solving problems that many would consider unsolvable.

Like setting up note programs to improve cash flow where there is none.

Using captive reinsurance facilities in developing plans to minimize your income tax.

And making financial protection affordable at a time when everything else isn't.

AIG has one of the most experienced risk management services anywhere.

In fact, our people have solved problems that others don't even know exist.

That's important for you to know.

Because when it comes to solving problems, a company that's still gaining experience could leave you with a bad experience.

Which is why the world will always remember the contributions of Freud, Einstein and Brandstatter.

The AIG Companies.

Let us take the risks.

For more information, contact AIG Risk Management, Dept. A, 70 Pine Street, New York, N.Y. 10005. A Member Company of American International Group.

IT TAKES MORE THAN A GREAT LOCATION TO MAKE A GREAT LOCATION.

Excellent market proximity and hundreds of other factors add up to making Arkansas one of America's Top Ten Business Climates. There are two specific factors that make Arkansas The Great Location: readily available, competitively priced energy, and a very productive workforce.

While industries everywhere are in dire need of more and different sources of energy, Arkansas manufacturers have consistent supplies of a variety of energy types. They know they have The Great Location.

With declining worker productivity nationwide, manufacturers in Arkansas are happily realizing an actual increase. Especially over the productivity they measure at their operations in other states.

Even if you have a great location, physically, you may not have the energy and productivity that makes Arkansas The Great Location. For further information, please write or call Arkansas Department of Economic Development—F, One State Capitol Mall, Little Rock, Arkansas 72201. (501) 371-7675.

ARKANSAS

Money market funds are all alike:

☐ True
☒ False

All money market funds are *not* alike! Vanguard Money Market Trust stands out in several important ways.

1. First of all, we offer you a *high quality portfolio*—designed to achieve the best possible yield *consistent with protecting your capital and maintaining your liquidity*. Among other safeguards: Your money *stays* in the U.S.A.—no Eurodollar CD's or other "offshore" investments.
2. Our operating costs are *among the lowest of all money market funds*—under 43¢ per $100 of assets. This increases your *effective yield*. And there are no add-on charges.
3. Our new *Portfolio Two*—which conforms to the recent Federal Reserve requirement—allows for the transfer of your money to the higher yielding *Portfolio One* as asset capacity permits.

As an investor, you also enjoy our other money market fund benefits, including: • No sales charges or redemption fees • Convenient daily liquidity • Stabilized $1.00 share value • Free checkwriting service • Statements monthly and with every transaction • Initial investment only $3000.

Vanguard MONEY MARKET TRUST PORTFOLIO TWO

21-FORN-503

I would like more complete information including advisory fees, distribution charges and other expenses. Please send me a Prospectus so I may read it carefully before I invest or send money.

Drummer's Lane, Valley Forge, Pennsylvania 19482

Print Name _____

Address _____

City _____ State _____ Zip _____

To learn more, and for a free Prospectus

CALL TOLL-FREE: (800) 523-7910

In Pennsylvania call (800) 362-7688.

THE VANGUARD GROUP OF INVESTMENT COMPANIES

Trends

capita gains, by Commerce reck were Arizona, Florida, Indiana, K Maine, Oklahoma and West Vi those with the smallest gains were ka, Idaho, Iowa, Maryland, Mic Montana, Nevada, North Dakot egon and Utah.

The working seniors

Despite the specter of eroding in Americans seem to be ignoring th law that raised the mandatory ment age limit from 65 to 70 in Ja 1979. Instead, the typical worker i ting long before reaching 65. Th dence suggests that those still on t at 65 will keep on punching the clo they form a decided minority, wit er than 20% of men over that age s the labor force. Less than 8% 1,825 General Electric employees retired on Jan. 1, this year, for ins were 65 or older. The average retir age at GE, in fact, is 62½. Federal ers (who once had to retire at age who now can work on indefinitely tend to retire early, too. Their p has always been to quit young, take jobs and qualify for Social Security fits to add to their government pen which are fully indexed to match tion. The ten best retirement stat the 1980s, incidentally, will be Ala Arizona, Florida, Georgia, Loui Nevada, New Mexico, South Car Texas and Utah, according to Econometrics, which rated the housing, part-time work, recreatio cilities, living and fuel costs and Texas, for example, gives a $15,00 emption on assessed value of hous owners over 65.

A whiff of discriminatio

Doing his bit to help his state's bigg and most troubled—industry, Michi Representative John Dingell wan blame some of the U.S. automa troubles on Washington's clean-air tectors. The Environmental Prote Agency, he charges, is discriminati favor of imports: "The data I strongly suggest favoritism." The has run 25 engine audits checking sions on 1980 domestic models and 1 on imported models, says Dingell ranking Democrat on the House merce Committee, which oversees Clean Air Act. Last year, he adds audits were conducted on U.S. cars, 6 on Japanese and European import 1978, the figures were 26 and 7 a 1977, the first year emissions we measured, the EPA checked 24 A can cars and 1 import.

Great ideas last forever

reat inventions have the power to forever change the ıst.

Victor Hasselblad changed the face of photography rever with the invention of the Hasselblad fully terchangeable camera system.

Never before and never since has there been a camera stem to equal the Hasselblad–the *standard* of versatility d quality around the world. That's why Hasselblad is e overwhelming choice of professionals in every area photography, from fashion to photo-journalism.

At the heart of the Hasselblad System is the 500C/M, ith its interchangeable lenses, film magazines, ewfinders and film winder. The possibilities for adapt-g this basic camera to your own purposes are limitless: different lenses, 7 film magazines, 8 viewfinders, 3 winding devices, 4 focusing screens, and a vast array of specialized accessories.

The Hasselblad 500C/M is easily held in the palm of your hand, yet it gives you the quality advantage of its large $2^1/_4 \times 2^1/_4$ negative size.

The Hasselblad System has made a profound contribution to photography. It could make a profound difference to you. For a luxurious folder, write to:

HASSELBLAD

Victor Hasselblad Inc.
10 Madison Road, Fairfield, N.J. 07006, USA

MORTGAGE MONEY: WHO NEEDS IT? WHERE WILL IT COME FROM?

You can't always choose the best time to buy a new house. The new job won't move closer. The children won't stop growing. So you may find yourself looking for mortgage money in times like these, when mortgages are hard to find and even harder to afford.

Mortgage money becomes more scarce and costly for many reasons, but generally it is because savings institutions are not able to attract sufficient deposits and have to pay more for the funds they do attract. That's why fewer loans are being made and the requirements are more stringent. You're ready to move, but you're caught in a credit crunch.

CUSHIONING THE CREDIT CRUNCH

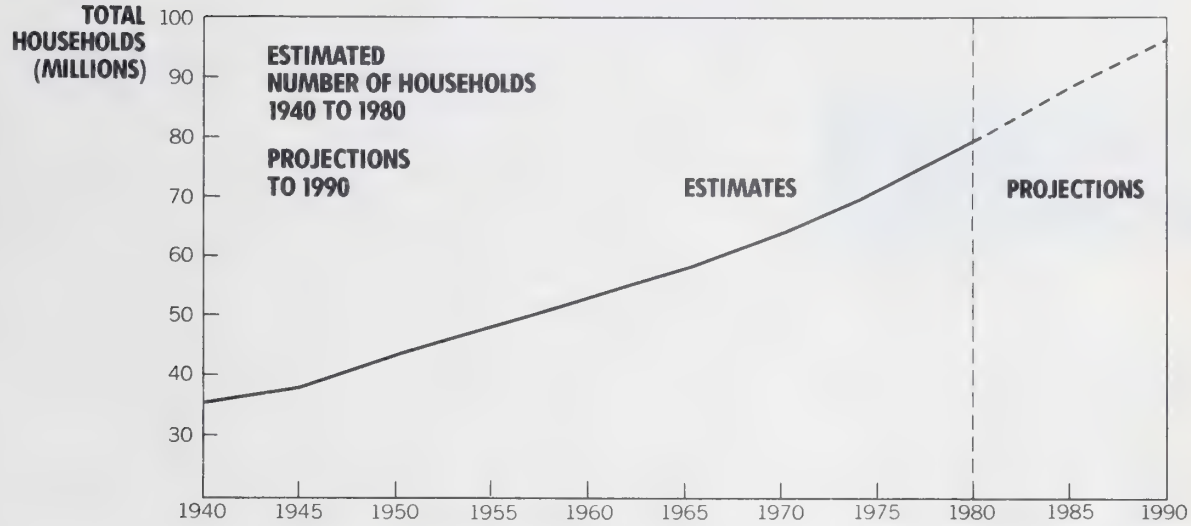
This has happened off and on for the last 15 years. Yet millions of families found their mortgage money. More than a trillion dollars worth of new mortgage loans have been made since 1965. One reason is that there is a huge secondary market for mortgages, a complex system of private businesses and government agencies which buys mortgages from the original lenders, thereby replenishing their supply of money. One part of that market is the Federal National Mortgage Association, or Fannie Mae, a shareholder-owned corporation working in the private sector.

THE WINDOW THAT NEVER CLOSES

When funds from other sources dry up or are limited, Fannie Mae is still buying. Unlike banks and savings and loans, which usually must depend on funds from local depositors, Fannie Mae can tap capital markets worldwide. The money we borrow is then "recycled," used to purchase mortgages, replenishing the supply available for new loans.

Since becoming a private corporation in 1968, Fannie Mae has purchased mortgages worth $65 billion representing financing for close to 3 million housing units for moderate- and middle-income families. That makes us the largest single supplier of funds for home mortgages.

Knowing that Fannie Mae is always there has created a foundation of confidence for the housing industry, providing needed stability in what had been a boom-or-bust business. During 1979, for example, Fannie Mae purchased $10.8 billion worth of mortgages, providing financing for more than 230,000 homes.



THE BABY BOOM IS HOUSEHUNTING

Regardless of whether money is tight or easy, interest rates high or low, the demand for home financing will be increasing. The babies born during the post-war boom are ready for places of their own. Nearly 32 million Americans reached 30 years of age during the '70s. During the '80s, 42 million will reach this prime home-buying age.

Additional demands for mortgage funds will come from some new buyers in the housing market. Women who head households, the elderly and single people, for example. Minorities who had found opportunities scarce or non-existent now have the protection of the law to help them enjoy homeownership.

We believe that by always keeping our window open in the secondary mortgage market, Fannie Mae is also keeping the door open to homeownership for many Americans.

WHAT IS FANNIE MAE?

Fannie Mae, the Federal National Mortgage Association, is a shareholder-owned corporation which helps meet people's housing needs by supplying money to the home mortgage industry. We purchase mortgages from local lenders, thereby replenishing their funds for further lending. Federal National Mortgage Association, 3900 Wisconsin Ave., N.W., Washington, D.C. 20016.

FANNIE MAE America's Mortgage Resource

RENEW YOUR ROOFS

The Randustrial® Roof Spray System resaturates and renews your dried out felt roofs. Our premium grade SHIELD-TITE® ROOF PRESERVER is sprayed over your old roofs by your own men. We'll loan you our equipment and instruct your men in its use. You'll have watertight, pliable roofs that will resist the roughest weather for years to come — and you save the cost of hiring a contractor. Inquire for a copy of our 64 page catalog which contains all the details.

Send a Free copy of your 64 page catalog to:

NAME, TITLE _____

COMPANY _____

ADDRESS _____

CITY, STATE, ZIP _____

PHONE NUMBER _____
area code number

Randustrial® Corporation
Sales Offices in Principal Cities

13306 Union Avenue
Cleveland, Ohio 44120
Phone: (216) 283-0300

CHANGE OF ADDRESS

If you are moving, let us know six weeks before so we can keep Forbes coming. Enter your new address on this form and return it with a recent mailing label from the magazine.

NEW SUBSCRIPTION

To order Forbes, enter your address on this form and check the subscription you prefer. ☐ 1 year $27.00 ☐ 3 years $54.00 (the equivalent of one year free). Canadian orders, add $4 a year.
Pan-American and Caribbean orders, add $5 a year; other foreign, add $15 a year.

Subscription Service Manager
Forbes, 60 Fifth Avenue
New York, N.Y. 10011

ATTACH MAGAZINE MAILING LABEL OR WRITE SUBSCRIBER NUMBER HERE
(see above name on label)

Name (please print)

New Address

City

State Zip

Date of Address Change

The lords in the tower

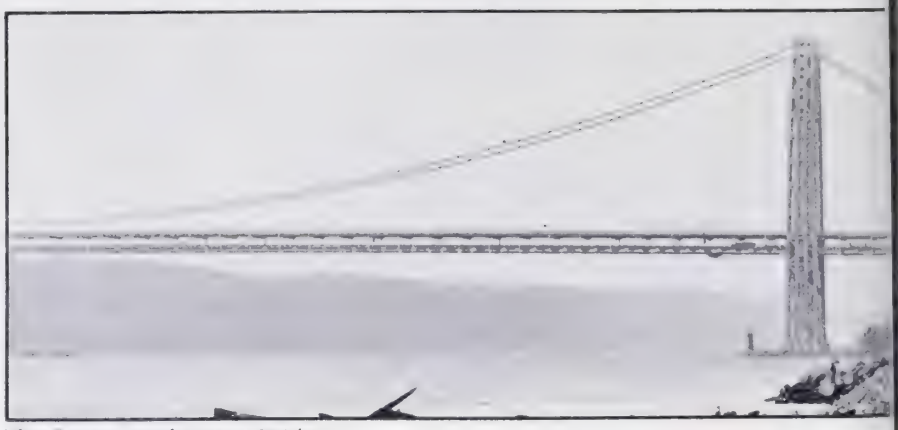
From the towers of their billion-dollar 110-story World Trade Center, the lords of the Port Authority of New York and New Jersey can view their $4 billion realm, the bridges and tunnels that link the two states, the airports and the harbor that link the city to the world. The tolls and fees the PA collects on these back the top-rated revenue bonds that have delighted investors for almost 60 years. Last year FORBES *(Oct. 15, 1979)* thought it detected a shadow on those precious bonds and wondered when and what the keepers of the towers would do to dispel them.

Last month they spoke, and the message from the towers was aimed north to Albany and south to Trenton where the governors of New York and New Jersey wield their veto power over the PA's actions. Clouds might be in the offing, the board of commissioners said, but it was going to be up to the rainmakers in Albany and Trenton to chase them. Unless and until it was permitted to raise tolls on its Hudson River crossings, Chairman Alan Sagner announced, the PA was shelving a quarter of a billion dollars in nonrevenue projects, including $130 million for buses in the two states.

The arithmetic was simple. The gasoline crunch had flattened traffic on the river crossings. In 1979, 73.9 million cars paid $1.50 apiece to use them, an increase of only 450,000 over 1978, no more than a couple of good rush hours. Meanwhile inflation had taken its own toll in rising costs and salaries. In the past year, Sagner noted, operating costs on the bridges and tunnels had jumped $22 million. Lewis L. Glucksman, the Lehman Brothers Kuhn Loeb executive who heads the PA finance committee, had sounded the alarm, telling the board that a gap was due to come between income and expenses, spelling trouble for the revenue bonds that are the PA's lifeblood. "The structure of the revenue bond business," he says simply, " it must have revenues." And if th not ominous enough, Glucksma that a shadow on revenue bonds also "affect general-obligation bo the investor's mind." General-obl paper is the lifeblood of the state b ers in Albany and Trenton. Th message to the governors was tha handing them not the problem, l solution.

The man most on the spot Jersey Governor Brendan Byrne Hudson River tolls, for instance, ied only on eastbound traffic, fro Jersey to Manhattan; westbound free. The PA also wants to raise f the Port Authority Trans-H (PATH) trains between Jersey an town New York, the mass-transit s it was dragooned into taking o 1962. Byrne has sworn that PATH would be kept at 30 cents, the r almost 20 years. The men in the Trade Center hold another card now-frozen money for the state's guered bus system is the key to hu of millions more in federal grants. ton's legislators are screaming tha had been led to believe that the bus ey would come strictly from sta federal funds, where political musc sumably counts. But the PA is inv and so it is in a position to hold J buses for ransom. New York Go Hugh Carey, of course, couldn't ca about fares in Jersey, but he shar fellow-Democrat's concern becau PA's freeze also affects importan jects on his side of the Hudson.

What happens next? The PA spelled out its demands: another 5 raise in bridge and tunnel tolls, to automobile. Notes Peter C. Goldma the PA's 39-year-old, $85,000-a-ye ecutive director: When that through, the states can expect the $272 million to thaw. The $2 toll s stave off the gap between incom outgo that Lewis Glucksman feare



The George Washington Bridge

How the keepers of the bonds deal with the powers in the statehouses.

Follow-Through

and tunnel traffic is expected to
static as long as the seemingly
ent gasoline crisis lasts, Gold-
hinks. By contrast, he sees major
still ahead for the PA's New York
rports, LaGuardia, JFK and New-
also sees better times coming for
ade Center, which he says is now
ented (or at least leased, as some
s have yet to move in). As for
the huge office complex, the prob-
ere is finding a customer to take
a customer who could pay the
-and the real estate taxes that a
authority doesn't have to meet.
rudential Insurance Co. has ex-
l interest, Goldmark says, but has
no offer. Meanwhile, the revenue
remain A-rated, and the PA has
intention of keeping them that
"The board has decided clearly,"
ark says, that "we are not going to
e foot in the quicksand and wait
neone to throw us a lifeline. We
ay healthy."

The ayes of Texas

isnamed Railroad Commission of
-oil regulation is really its main
"easily one of the U.S.' most in-
al governmental agencies,"
commented *(Apr. 28)* just before
emocratic primary to select two
ates for commissioners' seats
are three, serving six-year terms).
b may sound local but its clout is
xas holds 25% of U.S. oil and gas
s. For a change, the two incum-
unning faced real races in the pri-
which in overwhelmingly Demo-
Texas means certain election in
ber. (Since 1891, the year the
as created, there has never been a
ican commissioner.)
challenger, Jim Hightower, 37, a
ist and self-styled populist, vowed
n or lose he would make the com-
n more visible to Texans. Its
ers, he charged, were too closely
the industries they regulated and
er the industries nor the commis-
want the people to know what
." In the balloting, his opponent,
issioner James E. Nugent, upheld
xas tradition that incumbents al-
in, but his victory was surprising-
e, 52% to 48%, even though he
nt Hightower 2 to 1. In the other
owever, tradition lost and Com-
n Chairman John H. Poerner went
-by a wider margin—to State Rep-
tive Arthur (Buddy) Temple III,
Time Inc.'s vice chairman, Arthur
Jr. Commissioner-in-waiting
reportedly hopes to become a
nator one day.

The condo's of the Caymans.

More affluent people own condominiums in the Caymans than any island in the Caribbean.

When they are away, many of these luxurious apartments can be rented for a few days or a few weeks. Occasionally on short notice.

And at a surprisingly modest cost.

A two bedroom beautifully furnished apartment accommodating six persons for as little as $10 a day per person during the off-season. Or $15 a day per person for two couples.

Most of these apartments are on the beaches. All have maid service. A cook, if desired.

The ideal way for a family or two couples to enjoy a relaxed holiday in congenial surroundings, unfettered by the demands and obligations of conventional accommodations.

Good travel agents are kept aware of these distinctly different lodgings available to responsible clients. Or call 305-444-6551

Cayman Islands
Department of Tourism
250 Catalonia Avenue, Coral Gables, FL 33134

That is why, before we invest in a company, we conduct in-depth research. We look closely at fundamental factors, that should lead a company to enjoy growing revenues, increased earnings, and higher dividends.

If a company can deliver these at an above-average rate, we think they will result in a higher market value, eventually. That is what the Growth Stock Fund is all about. Shouldn't you consider this approach?

Call toll-free 1-800-638-5660. If busy, or in Maryland, call 301-547-2308 collect.

T. Rowe Price
Growth Stock Fund
A No-Load Fund
100 East Pratt Street
Baltimore, Maryland 21202

Name
Address A6
City
State/Zip

For more complete information, including management fee and other charges and expenses, obtain a prospectus. Read it carefully before you invest or send money

Like wine,
a company's future value will depend on how well it ages.

Flashbacks

Items of interest from issues of FORBES of 60, 50 and 25 years ago.

Sixty years ago in FORBES

My, but what a lot of noble patriots are blossoming among our retail merchants! At least, hundreds of newspaper advertisements tell us so. Almost every announcement of a cut in prices has been accompanied by the statement that the merchant has been actuated by the praiseworthy, unselfish, patriotic desire to do something for the dear public. . . . The truth is that merchants in New York, in Omaha, in Philadelphia, in Chicago and elsewhere found themselves unable to dispose of their spring stocks promptly and were being called upon very insistently by the banks to meet their obligations.

Why shouldn't we have more women sitting on boards of directors? Take concerns which have hundreds, even thousands of women employees: Wouldn't it be sound business to have one or two women at the directors' table? The Pennsylvania Railroad, the American Sugar Refining Co., the American Telephone & Telegraph Co., the New Haven Railroad and other large, old-established companies have frequently drawn attention to the fact that about half of their stockholders are women. This being so, why refuse to have one representative of the sex on the directorate? Then there are other enterprises whose product is bought almost wholly by women. Wouldn't it be wise for such concerns to have the benefit of the counsel of one or two women in the direction of the business?

It is worth noting that, almost without exception, the chief executives of America's railroads are men who began at the very bottom of the ladder and who have won their way upward by the merit they displayed in the filling of one position after another. It is still true, to some extent, that large industrial companies are headed by capitalists or the sons of capitalists. [But] the running of a railroad is far too difficult a job to be filled satisfactorily by any rich man or rich man's son not trained from the ground up to discharge the multifarious, responsible and often perplexing duties.

By resisting the temptation to buy unnecessary things at high prices, the investor is not only adding to his own peace of mind and well-being. He is adding his mite to the strength of the investment market, making loanable funds more readily obtainable, and putting his capital to work where it will help the processes of production and transportation which must be speeded up if the living cost is to be brought permanently to a lower level. He is refusing to buy at present high prices, and he is putting his funds where they will count most in ridding the country of price inflation.

The indictment of William Wood, president of the American Woolen Co., for alleged flagrant profiteering has spread almost as much alarm among wealthy profiteers as it has spread satisfaction among victims of extortionate prices. Should the head of the Woolen Trust be found guilty and sent to jail, profiteering in the higher reaches of business would cease instanter.

Tips are being received in influential circles here that Russia is nearing the end of her reign of Bolshevism and that the whole Russian situation may undergo complete transformation before long. Conditions there are appalling beyond description. However, were a stable government created and order enforced, it is believed that very extensive trade could be developed between Russia and the U.S. . . . Lenin and Trotsky are not expected to outlast 1920.

Fifty years ago

Unemployment continues to be a very grave problem. Although additional workers have been taken on in certain lines, dismissals are still going on in other directions. Laying off workers should be the last recourse of employers who find themselves under the unavoidable necessity of cutting down payrolls. Putting all workers on short time is infinitely preferable wherever feasible.

Not so long ago the wiseacres were proclaiming that never, never would the U.S. know anything but prosperity. Business "cycles" were a thing of the past. . . . We were assured that prosperity was the normal condition for this wonderful land.

Uncle Sam is in the market at all times for every conceivable commodity from pins to battleships. . . . The magnitude of this business is indicated by the fact that there was appropriated for [federal] expenditure during the fiscal year 1930 a total of $4.5 billion.

The latter part of May and the early part of June have proved gala periods for long-distance flights and other record-breaking feats in the aviation field. Perhaps the most important flight has been that of the Graf Zeppelin, Germany's huge dirigible, which made one of the longest trips across the Atlantic and back.

United Electric Light's Harlem River pl

Output [of electric power] has inc 12 times as rapidly as the popu since 1922, until today the U.S. u much electrical energy as all the r the world combined.

Twenty-five years ago

Rounding the fiscal bend, Wall looked the nation over and fou sound as a dollar. Economically, A cans had never had it so good, wit wages at record levels, savings bulging with their deposits and th ernment promising to reduce taxes

Joining the enemy, Sheraton Co America will become the first majo hotel chain to go into the motel bus [which has sprouted from 13,000 m in pre-World War II days to 50,00 day]. The big innkeeper will begin struction this fall of a 156-room "lu ous highway inn" at Tarrytown, Estimated cost: $2,250,000. If it c Sheraton President Ernest Hendersc pects to have many more in oper across the U.S.

Textron American, Inc., which ca the merger fever three months ago it was formed from three textile firm out for more. Currently making money from its nontextile products tron has drawn a bead on no less th new companies—all . . . nontextile.

Politics and partisanship have no in matters of public health, but wh matter of such enormous importan the Salk antipolio vaccine distributi so woefully bungled by the federal ernment department responsible, department deserves severe rebuke it certainly should be the Admini tion's responsibility to reassess, red its handling.

"In its twenty-five year review of the performance of the Fortune '500' just published, Fortune lists the top ten industrial companies in four categories: sales growth, earnings growth, stock performance and increased employment.

"Only two companies are on all four lists. One of them is Bristol-Myers."

From remarks to shareholders
Bristol-Myers Company Annual Meeting
April 24, 1980
Richard L. Gelb, Chairman of the Board

Nader, the capitalist

SIR: Re your bout with Ralph Nader *(Fact and Comment, May 12)*. He is a capitalist. He found that you can make more money attacking General Motors than by being president of General Motors. The media fall all over themselves giving Nader's negativism free advertising, whereas they charge General Motors for their ads.

You media people *made* Ralph Nader. Now enjoy!

—W.M. Buescher
Pigeon Forge, Tenn

Synfuels need help

SIR: You are absolutely right in pointing out the commercial promise of synfuels in your article about Air Products' and Wheelabrator-Frye's joint venture to produce synthetic fuels *(May 12)*. But the threat that confronts our nation today requires government help *now* to get a private synfuels industry started. If the need for an alternative to imported oil were not so urgent, the nation might be able to wait.

This project involves much greater than normal technical, regulatory and commercial uncertainty. In addition, there is the ever-present threat that OPEC could reduce the price of its oil and drive a private synfuels industry out of business. This is a combination of risks far too great for private industry to bear alone.

—Edward Donley
Chairman,
Air Products and Chemicals, Inc.
Allentown, Penna.

Efficiency expert

SIR: Re your little comment on paperwork, "When in doubt, route" *(Fact and Comment, May 12)*. I have developed my own three D's to take care of those mounting piles of paper: Do it. Delegate it. Or ditch it.

—Robert I. Weingarten
Publisher,
Financial World
New York, N.Y.

What is compensation?

SIR: I was wondering whether there isn't some way that the format used by your magazine for listing chief executives' compensation *(see p. 116)* could be modified so as not to lead your reader to add columns 1 [salary and bonus], 2 [options, rights and benefits] and 3 [contingent remuneration] and come up with an incorrect impression of a CEO's salary. I wouldn't mind if I, for instance, actually received the total amount in any one year.

—John C. Duncan
Chairman and CEO,
St. Joe Minerals
New York, N.Y.

In our survey, we count all *compensation. Mr. Duncan makes a valid point that, in certain cases, there are bound to be distortions, especially with contingent compensation. These distortions, though, do even out. When compensation reported as "contingent" turns out not to have been paid, the overaccrual is deducted in the subsequent year.*

Perfection is not possible in such a comprehensive survey and that's why we break our data down into three columns (plus a total), permitting the reader to distinguish between cash compensation, securities profits and contingent remuneration.—ED.

Do it yourself!

SIR: Re your comments on stewardesses *(Fact and Comment, May 26)*.

If you need purring, bring along a cat, learn to puff your own pillows and, if you're lacking in dreams, just close your eyes after you've eaten an airline meal; dreams guaranteed.

—G. Kramer
New York, N.Y.

Infallible indicator?

SIR: I am making all my political bets based on what I call the FPI (FORBES Political Indicator). MSF's editorial statements concerning the campaign now under way are as follows: He initially picked Ted Kennedy as a shoo-in. Next he plumped for George Bush. Most recently he indicated that a GOP disaster would result from a ticket headed by Ronald Reagan.

The FPI now seems to indicate that our new president will be Ronald Reagan.

—Dennis A. Gasper
Plymouth, Wis.

The real point

SIR: The Andrew Tobias article, "Has Bear, Stearns still got a deal for you?" *(Apr. 28)*, suggests that when a special offering or "spot-secondary" on TeleSciences' stock was done by Bear, Stearns on or about Jan. 18, 1980 at $14.25 a share with a 70-cent credit, the Bear, Stearns client "could have some nonpublic information.

No one could have been aware t would omit the dividend before th al announcement was made, sir until 48 hours before we made t nouncement we were proceeding basis of paying the dividend.

Mr. Tobias' hypothetical scena based completely on what he conje "might have happened."

—Seymour Hernes
Executive Vice President,
TeleSciences, Inc.
Moorestown, N.J.

MR. TOBIAS REPLIES: *Mr. Hernes have us believe it was coincidence that one rushed to unload 110,000 sha TeleSciences two weeks before the div was omitted and a 66% earnings p announced and he further suggests n at TeleSciences knew that very bad neu on the way until shortly before it wa nounced. Perhaps so.*

The point of the story was not that an at TeleSciences had done anything u but that special offerings by their very n are a lousy way for the public to buy st

Wrong pic

SIR: The picture accompanying the on Vernon R. Loucks Jr. of Baxter venol Laboratories, Inc., in the M issue *(Faces Behind the Figures)*, doesn't look like the picture o Loucks in the Annual Report.

—Horace Smith
New York, N.Y.

It isn't the correct one. FORBES regre error.—ED.

Worthwhile reviews?

SIR: Why do you keep boring us your reviews of New York City re rants? Most of us don't live there way, and so the information is use Stick to business and finance.

—William Johnson
Duluth, Minn.

SIR: Your annual list of recomme restaurants in New York City with c sional updates is outstanding. For infrequent visitor to New York who not wish to waste time on second establishments, your advice is inv able. I have not encountered a di pointment yet.

—Earle M. Craig Jr.
Midland, Tex.

On Father's Day, live up to Dad's expectations.

Seagram's V.O.
The symbol of imported luxury. Bottled in Canada.
Enjoy our quality in moderation.
Canadian whisky. A blend of Canada's finest whiskies. 6 years old. 86.8 Proof. Seagram Distillers Co., N.Y.C.

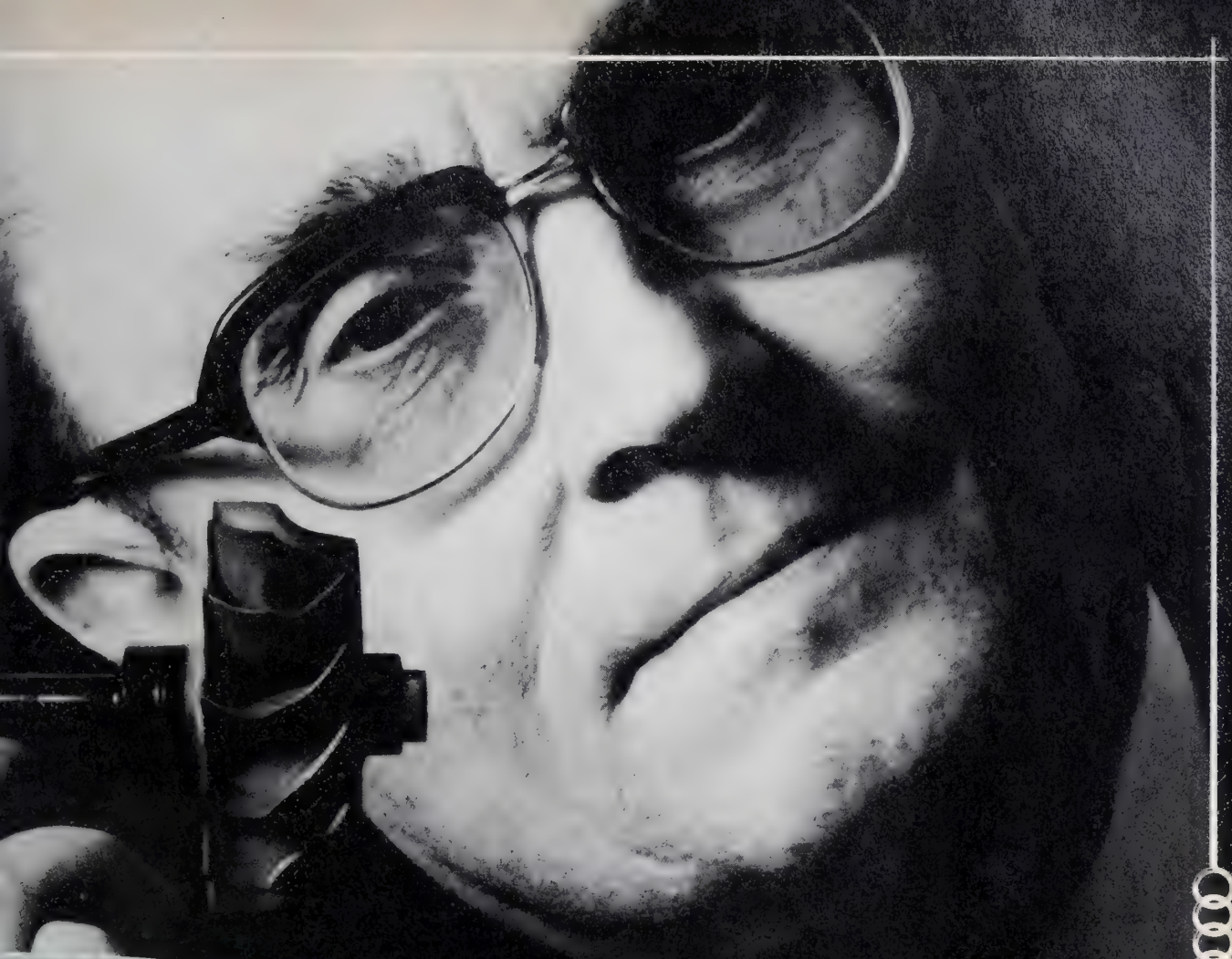
"Engines run on a mixture of air and fuel. Fortunately air is free. But unfortunately natural atmospheric pressure limits its supply," states Audi engineer Franz Hauk. "This poses a natural limit to the amou of power that can be extracted from a given displacement before an engine simply runs out of air. Making an engine larger will increase power but this will necessarily compound the inefficiency inherent any naturally aspirated engine design."

Enter the impeller-turbine wheel – key component of the new Audi 5000 Turbo's turbocharger.

This simple device makes horsepower out of thin air for the new Audi 5000 Turbo.

"The turbine wheel fixed to the left of this shaft is spun by an unusual power source – exhaust gases, a combustion engine's waste product. It spins the impeller wheel on the right which is actually a fresh air compressor." Under peak engine load and rpm the impeller will deliver air to the engine under pressure of up to one-and-a-half times the atmosphere's. The result is a greater volume of air and a near 30% increase in power on demand.

Thus, this simple device, spinning at up to 100,000 rpm, increases the output of the Audi 5000 Turbo's engine in a way that is far more efficient than adding an extra cylinder – the Turbo's extra power is



Franz Hauk,
Engine Designer,
holding the
impeller-turbine
wheel.

there only when you want it. But there is more to the Audi 5000 Turbo. "We set out to build a thoroughly refined high performance luxury sedan. This involved developments on all fronts. From the dynamic safety and handling built into its front-wheel drive layout to the thoughtful ury and convenience of its interior, my colleagues and I feel we have ceeded. But we would like you to see for yourself."

sche+Audi: Nothing even comes close. For your nearest dealer, call free: (800) 447-4700. In Illinois, (800) 322-4400.

Some impressions never fade.

You start out wet behind the ears. Swallow some water. Do a few bellyflops. You keep trying. Again and again. And again. But there's a lot of people behind you. The coaches. Parents. And volunteers. As well as the Amateur Athletic Union. Helping you learn discipline. Gain confidence. And make friends. Each step of the way. Because swimming and diving are more than just time and form alone. And that's why Phillips Petroleum is a long-time sponsor of AAU swimming and most recently of AAU diving. It's a contest where everyone wins. Even though only a few earn medals. Or make it to the Olympics. Because what you learn sticks with you for the rest of your life.

AAU PHILLIPS 66

Fact and Comment

By Malcolm S. Forbes, Editor-in-Chief

A BALANCED CARTER BUDGET

is as likely as a Soviet departure from Afghanistan.

WHEN PRESIDENT CARTER DESERTED THE EVER-THORNIER THICKET

White House Rose Garden as his self-confinement over anian hostage issue grew increasingly self-defeating, he have made Brownie points by being honest about his s.

ead, on the heels of the rescue failure, in the teeth of ion acceleration, of increased Soviet military in Afghani- nd as OPEC prepares to up for the umpteenth time the price of oil, Carter allowed as how he would resume travels because "I believe [these problems are] alleviated to some degree" . . . "are manageable enough now."

If our I-won't-lie-to-you President Jimmy had simply said that his dip in the election polls showed that he'd better hit the campaign trail with his version of events, voters would give more credibility to the rest of what he'll be saying.

AND, AFTER ANNOUNCING HE'D RISEN FROM THE ROSES

ent Carter winged his way to Philadelphia for a speech own meeting" that (fortuitously, of course) was televised ghboring New Jersey, then preparing for its presidential ry June 3.

n, in one of his more monumental foreign policy blun- nd that indeed has to be monumental), Carter refused to 3 other presidents and 21 prime ministers at Tito's l. "A senior White House official," reported the *New Times*, "said Mr. Carter decided not to go to Belgrade because he is still limiting his travel to demonstrate concern about the hostages in Iran."

The seriously ailing (physically) Brezhnev became the focus of attention by attending.

As the London *Times* put it, Carter's decision not to come "is unwise for reasons which are so clear that the failure of the White House to see them must deepen the conviction that the U.S. is led by a man who is not just muddled but is in some ways blind to whole areas of reality."

OLD SOLDIERS MAY FADE AWAY

but at CBS it's the blooming young CEOs who do.

NOW THAT RONALD'S GOT IT SEWED UP

Republican convention coronation, is descending on him in a quantity atch the ticker tape that greeted ergh on his return to New York City oloing to Paris.

e of it is silly, such as urging him to e those worrying about his age by that if elected he'll serve only one Could you imagine a better way to utless into the nation's capital?

idea that, on reflection, might not seem so bad is the suggestion that he announce, well in advance, some of the key Cabinet members he would appoint if elected. While there are all the obvious arguments against that (like disappointing the thousands who think they might get the nod), it'd be mighty reassuring to know to whom Reagan would be turning for guidance, counsel, direction.

Lindbergh ticker-tape parade New York City, 1927

This name-the-Cabinet-in-advance idea came up at luncheon recently with one of

our biggest corporate achievers, and we had a ball pickin' and kickin'. Possibilities bandied about included Paul Volcker as Treasury Secretary; Felix Rohatyn, Director of the Budget; Lewis E. Lehrman as head of the Federal Reserve; Arthur Laffer, chairman of the Council of Economic Advisers; Jack Kemp to direct the achieving of U.S. energy independence and Alexander Haig at Defense.

With Kissinger back at State our allies would breathe a sigh of relief, and our enemies might give up trying to fake us out.

When it came to the vice presidency, suggestions i Howard Baker for his Capitol Hill knowhow and his po in the South; George Bush to keep the votes he got that didn't; William Simon; and even the dynamic Ann strong with the thought that such a ticket might be bo and exciting. One must hope, though, that everyone spend next summer picking the Reagan Cabinet and fo to get around to electing the candidate. You may recal what happened with Tom Dewey in 1948.

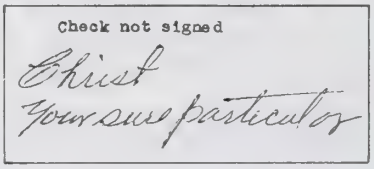
TALK ABOUT TASTELESS ADVERTISING

How about these two Kent stomach turners?

On the other hand, have you ever seen a more tempting package *(right)*, totally designed to make its point appealingly?

OCCASIONALLY, EVERY COMPANY RECEIVES CHECKS

from customers that are inadvertently unsigned. The former treasurer of Northern Pacific, Harold Latham, sent us this example of one response his office received:



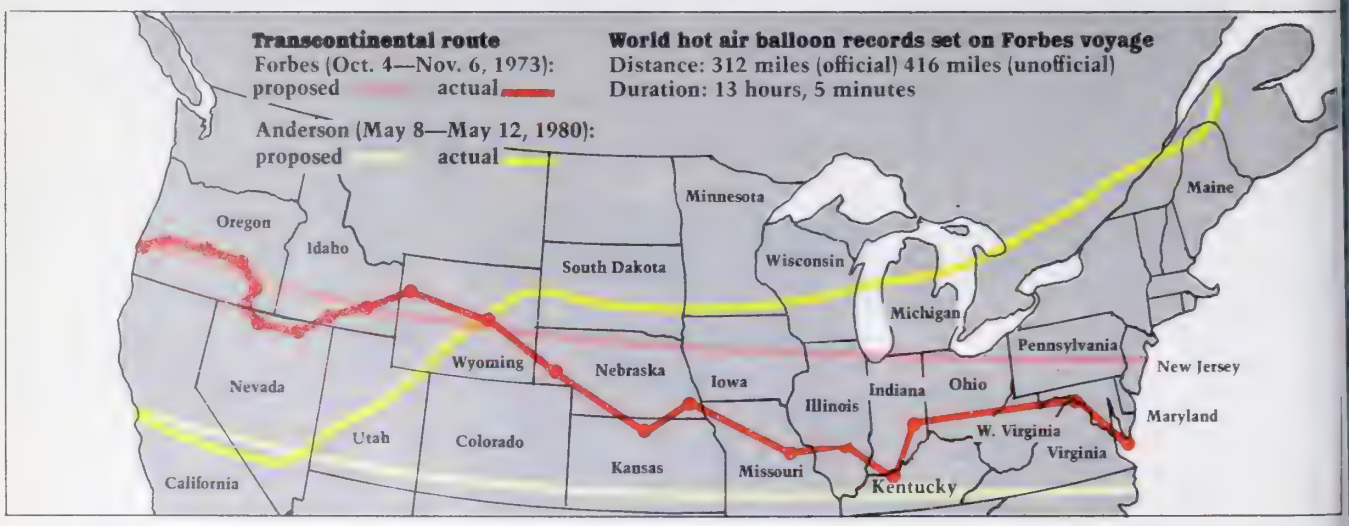
"I THOUGHT YOU WERE THE FIRST TO BALLOON ACROSS AMERICA?"

After Maxie Anderson's spectacular achievement in ballooning from San Francisco to Canada's Gaspé Peninsula, which was media-hailed as a "first," many have said they recollected that my cross-country balloon venture of seven years ago was the first.

It was—and Maxie's is.

You see, there are two *totally different* types of balloo hot air, which (appropriately, I'm sure FORBES readers w agree) was what I used to successfully cross the U.S., an (helium), which is what enabled Maxie to cross both Atlantic and North America nonstop.

Hot-air ballooning is overwhelmingly prevalent becaus



ful of propane, you can 45-minute flight. Be-ese tanks weigh much, balloons are limited in ny persons they can car-long they can stay up. cross-country trip, I set n-world's record for a balloon aloft—13 hours minutes. It took us 21 days of flying *(see map)* plish this first and still n voyage.

a helium balloon costs o $2,000 and, to come down, the thousands of dollars' worth must be vented away. But, when filled and with sufficient ballast, a gas balloon can stay aloft for many days—the world record is held by Maxie and his two Atlantic-crossing colleagues, 5 days, 17 hours.

The father-and-son Anderson crossing of North America is indeed a fabulous first. Our own trip was, too, a first in fact, different in kind—and, as with most everything past, is fading in memory.

Forbes, Chesapeake-1973

Anderson, Gaspé-1980

YOU DON'T ENJOY THE CLIMB

giving what it takes to get to the top isn't worth it.

HOPELESS CASES

Executives who assert themselves by saying No when they should say Yes.

WHY THE FED CAN'T FINE TUNE THE ECONOMY

By M.S. Forbes Jr.

e unprecedented crash in inter-ates has once more made the Fed-Reserve a target of sharp ques- and criticisms. Did it tighten nuch in mid-March? Is it loosen-oo quickly now?

gitimate questions, obviously, there are probably as many an-s as there are observers. But what ore intriguing, at least to this r, is the assumption that seems nderlie these questions: that the as within its power the ability to the enormously complex rican economy in a rather precise on—fine tuning, the economists to call it.

e Keynesian economists believe the key to such manipulation lies gling interest rates; the monetar-in fiddling with money supply. he events of the past 15 years ld have disabused both camps in conomic profession of the silli-of such notions.

Keynesian failure

til last October, the Keynesian was dominant. If the Fed wanted ow the economy, it would raise by selling government securi-f it wanted to stimulate econom-tivity, it would lower rates by ng bonds. The Fed's economists d calculate a rate of interest that d presumably achieve various omic goals. Given the complex-the U.S. economy, however, the assumptions were often wrong.

Another basic fault was overlooking the impact of taxes on real interest costs. Interest is tax deductible; 8% is only 4% aftertax for most corporations. Taxes, combined with inflation, made what appeared to be a high rate of interest still not too high.

As long as credit was available, borrowers would borrow more because the *real* rate of interest was negligible.

To avoid letting a seemingly high rate of interest go higher (fine tuning is supposed to avoid shocks), it poured too much credit into the economy.

That's why Treasury Secretary William Miller found his brief reign as Federal Reserve chairman so baffling: He thought he was battling inflation by gradually raising interest rates, when in reality, he was stimulating it.

In October, the monetarists gained an ascendancy over the Keynesians. Volcker stopped fiddling with interest rates and they soared, thereby making the real cost of money more realistic.

No one can argue with the monetarist creed that inflation comes from too much money chasing too few goods. But the real world is not so simple.

What measure of money do you use? The revolution in finance since the early 1960s—Eurodollars, overnight repurchase agreements, money market funds, the fantastic growth of nonbank financial institutions—has made traditional measures of money obsolete. That's why the Fed revised its yardsticks a few months ago.

But the recent events have demonstrated how perilous it would be for the central bank to base monetary policy on its new measures—M1A and M1B. By these gauges, money supply dropped rather sharply in April and early May. Those decreases, however, were more apparent than real.

Misleading numbers

For technical reasons, the Treasury's uncharacteristically quick cashing of income tax checks ended up reducing M1A and M1B. More important, because of the unprecedented difference between the prime rate and what large corporations could pay for money in the commercial paper market, borrowers substituted one source of money—banks—for another—commercial paper. This caused a decline in "money supply" (M1A and M1B ignore commercial paper), even though the real supply of money had not changed at all. Then, of course, there are always the problems of "seasonal adjustments."

Which is why the cry that the Fed must rapidly loosen up on credit is so wide of the mark.

Another difficulty: There is no hard relationship between the country's rate of inflation and its supply of money. Switzerland's money supply last year jumped around 30%, and its inflation rate was less than 3%. The U.S. money supply grew 5% to 10% (depending on what measure you use) and it had an inflation of 13%.

Critics should stop expecting the impossible of the Fed. Fortunately, Paul Volcker seems to be a practical man who is well aware of the central bank's powers and limitations.

Other Comments

Often comments by others stimulate, irritate, abuse or amuse this editor's mind.–MSF

This Is Praise?

My hope is that with Ed Muskie coming on board as part of our team . . . that he will play a somewhat different role than the one Secretary Vance played because of a difference in background and temperament and attitude. I see Ed Muskie as being a much stronger and more statesmanlike senior citizen figure who will be a more evocative spokesman for our nation's policy.

—President Carter

* * *

The President had intended no criticism of Mr. Vance. He was just trying to say that Vance and Muskie are two different sorts of people, which I think is understandable.

—Jody Powell, Press Secretary to the President

Sweet Dreams

Are you seriously considering a return to a gold-based money system?

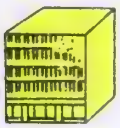
Yes. I know it would be complicated to go back to a gold standard as such, but I am looking at a de facto gold standard. Suppose the U.S. set a date and said we are going to mint a coin based on the value of gold at that time. Once people realized they could take paper dollars and buy a gold coin of the same face value, they probably wouldn't bother to, and it would stabilize the value of the dollar.

—Ronald Reagan, in *Business Week*

So Much Furor Over So Little Gold

Lately, gold has sent speculators on a rampage, upset monetary systems and raised jewelry prices. But all the gold ever mined from the earth would fill only a five-story office building measuring 55 feet on each side. The metal's value, at $700 per troy ounce: 2 trillion dollars.

—*U.S. News & World Report*



Reprinted from Feb. 18, 1980
Copyright 1980 U.S. News & World Report Inc.

The Only Ocean Airline

By 1936 the regular scheduled airship service between Germany and Rio de Janeiro and the airship service between Germany and New York were still the only transatlantic air routes. No aeroplane could perform such a task. It wasn't until the middle 1950s that airlines offered passengers a direct service across the Atlantic.

—*Airshipwreck*, by Len Deighton and Arnold Schwartzman

Point . . . and Counterpoint

Chrysler, Ford and General Motors have cut emissions by 90% since 1965 but must now cut a further 5% by next year—adding $250 to the price of a new car. They must meet 44 separate safety standards, introduced since 1967. Within the next two years they must install passive restraints, such as airbags costing $800 each, although present safety belts arguably give better protection. . . . Transportation Secretary Neil Goldschmidt has been saying since he came to office last year that standards should be moderated. How many more car plants must close before he acts?

—*New York Post*

As measured by the government, only one U.S.-designed car, the Chevrolet Chevette, gets 25 miles per gallon or more. At least 11 Japanese and 6 European models do; 8 Japanese and 3 European cars are rated over 30 miles per gallon.

—*Wall Street Journal*

Strange Symbols

"Don't give up the ship!" he wheezed, as they carted him below. A British boatswain lashed the two ships together and the enemy swarmed aboard, overwhelming the American crew, which simply fled. The Chesapeake struck her colors and [Commander James] Lawrence was dead. . . . We wonder why his dying words became a rallying cry, a symbol of naval courage, when "give up the ship" was exactly what they did.

—*Here Lies America* by Nancy Eills and Parker Hayden

Ho Hum

Even if huge withdrawals [of Iran's European bank deposits] were made, the money would show up elsewhere in the money market, recycled eventually back to the banks that lost the funds. "Dollars are dollars, and eventually they h be cleared in New York," one said. "It would probably just resu bookkeeping entry."

Said another, "When the mon the banking system, it's there. Th always move it around, but it winds up somewhere." Of a majo drawal attempt, he added, "I thin cally it would deserve a large yaw

—Robert D. Hers *New York*

"He knows nothing an thinks he knows everyti That points clearly to a p cal career."

—G.B. Shaw, *Major Ba*

Marxist Ages

If you are not a Marxist when y 20, you are not too bright. And are still a Marxist at 40, you're n bright either.

—Jonas Savimbi, Angolan gu leader, in *News*

Sure-Fire Diet

Dr. Fitzkee's Lucky Astrology Di sure-fire method of reducing wit added luxury that you never feel h Here's how the diet works:

Foods Allowed

First Month: One egg
Second Month: A raisin
Third Month: Pumpkin pie whipped cream and chocolate sauc

If after the third month you h gotten to your dream weight, try lo off parts of your body until those tip just right for you.

—Steve Martin, *Cruel*

"This one shows the time, da date and inflation rate, sir."

Win the JAMESON Father's Day Sweepstakes

5 Grand Prizes to Ireland on Aer Lingus

You can be one of the big Jameson Irish Whiskey prize winners. nd your Father on a once-in-a-lifetime trip (for two) to Ireland. One 5 truly grand prizes with the kind of special treatment every father erves.

Your Dad will fly Aer Lingus — Ireland's quality international airline l get $1,000 in "green" to spread around the Emerald Isle. He'll e the time of his life.

US 500 OTHER PRIZES

00 lucky runners-up will win an elegant set of six imported cut s crystal "On the Rocks" glasses. (The perfect complement for e drinkers of fine Scotch who prefer the lighter, more delicate of Imported Jameson Irish Whiskey.)

o enter, just fill in your Father's name and address below and wer the questions which appear on the coupon. (NOTE: You'll find all the answers appearing on the Jameson label in your liquor cabinet, at your liquor store, favorite bar or restaurant.) It couldn't be easier. Enter today and make your Dad a bigger winner than he already is.

Jameson—World's largest selling Irish Whiskey.

OFFICIAL RULES

1. On entry form, or a 3" x 5" piece of paper, print your name, address and zip code. Then, answer the 3 questions with information found on the front label of any bottle of Jameson Irish Whiskey. If you don't own a bottle, visit your favorite restaurant or tavern, or go to any participating liquor store and look at a bottle of Jameson.
2. Enter as often as you wish, but each entry must be properly completed, addressed and mailed in a separate envelope and received by September 30, 1980 to be eligible. Prize winners will be determined in a witnessed random drawing of correct entries by Siebel/Mohr Incorporated, an independent judging organization whose decisions are final. No purchase required.
3. Each grand prize winner will receive 2 round trip economy tickets to Ireland on Aer Lingus plus $1,000 cash. It's incumbent upon winners to make their own arrangements for the trip. Winners shall depart from the normal Aer Lingus departure points within the Continental U.S.A. Any additional expenses incurred on the trip will be borne by the winners. Trips must be taken by December 31, 1981. Any necessary taxes must be paid by winners. The 500 second prize winners will receive an elegant set of six imported cut glass crystal "On the rocks" glasses. Prizes are non-transferable and non-redeemable.
4. Only one prize per family or household. The odds of winning will be determined by the number of correct entries received. All prizes will be awarded.
5. Sweepstakes open to residents of the Continental U.S.A., Alaska and Hawaii. Employees and their families of Calvert Distillers Company and Aer Lingus, their affiliated and subsidiary companies, liquor wholesalers and retailers, their advertising agencies and judging organization are not eligible.
   Sweepstakes void where prohibited or restricted by law. All federal, state and local laws apply.
6. Entrants must be of legal drinking age under the laws of their home state.
7. A list of all major winners can be acquired at the conclusion of the sweepstakes by sending a stamped, self-addressed envelope to Jameson Irish Sweepstakes, P.O. Box 8247, St. Paul, Minnesota 55182. NO PURCHASE REQUIRED.

JAMESON IRISH SWEEPSTAKES

I have read the contest rules listed on this page, and would like to enter the Jameson Irish Sweepstakes. My answers are written below (correct answers appear on the front label of each Jameson bottle).

1. What year appears on the Jameson label? _____
2. What Dublin street name appears on the Jameson label? _____
3. What is the motto under the Jameson coat of arms? _____

My Dad's Name (please print)* _____

My Dad's Address _____

City _____ State _____ Zip _____

Mail Entries to: **JAMESON FATHER'S DAY IRISH SWEEPSTAKES**
P.O. BOX 8238, ST. PAUL, MINNESOTA 55182

* NOTE: Remember, Father's Day is also for Grandfathers.

For additional information on travel to Ireland, call Aer Lingus—toll free (see your local directory).

Jameson. World's Largest Selling Irish Whiskey. 80 PROOF - CALVERT DISTILLERS CO. N.Y.C.

ONE OF THE LARGEST
BANKS IN THE WORLD
IS TAKING A NEW PATH
TO INTERCEPT THE FUTURE.
Historic symbol of Bankers Trust—The pyramid atop our Wall Street building.

WE'VE MATCHED OUR STRENGTHS TO YOUR NEEDS.

Bankers Trust has four core businesses, now in place, each of which reflects one of the four principal requirements of corporate, governmental or institutional financial officers. These core businesses represent our special strengths. They are wholesale commercial banking, money and securities markets, corporate finance and fiduciary.

Wholesale commercial banking, our major business, is now organized into departments that match the *markets* on which we concentrate: *World Corporate* serves the worldwide needs of both U.S. and foreign multinationals, as well as certain specialized industries such as energy, commodities, shipping, and airline companies. *United States* focuses on large and middle market domestic corporations, financial institutions and government-related business. *International* concentrates on foreign governments and their agencies, and on foreign financial institutions and corporations.

Our new structure has accomplished two things. It allows us to respond more directly and more selectively to the growing needs of our customers. And it has placed us squarely in position to help our customers solve the financial problems of the future. Starting today.

Bankers Trust Company

Worldwide

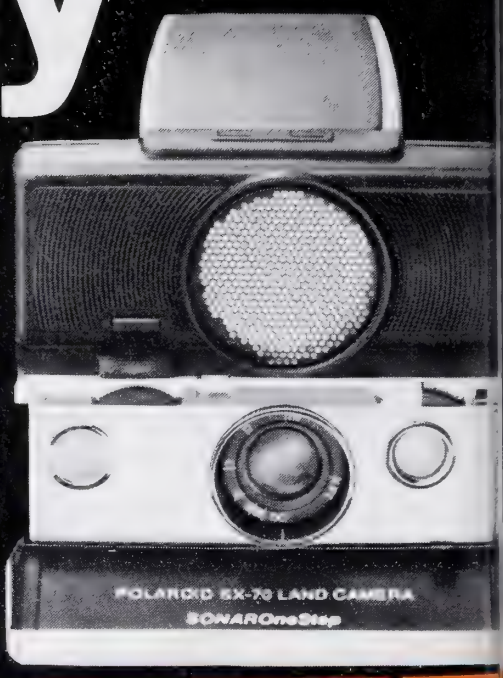
International Banking Subsidiaries in the United States: Chicago, Houston, Los Angeles and Miami. Overseas Branches: LONDON, BIRMINGHAM, MILAN, PARIS, TOKYO, SEOUL, SINGAPORE, BAHRAIN, NASSAU and PANAMA CITY.
An International Banking Network of branches, subsidiaries, affiliates and representative offices in over 30 countries on 6 continents.

Member Federal Deposit Insurance Corporation © Bankers Trust Company.

©1980 Polaroid Corp. "Polaroid" and "SX

Monday
Tuesday
Wednesday
Thursday
Friday
Saturday
Sunday

Instant record. Instant memory.
Business. Pleasure. A logical deduction.
Get the picture?



Polaroid's SX-70 Sonar

The world's finest instant camera

on has at last made it official: Shale oil has uture. That's sweet vindication for what co admits was "monomania."

Shale gets a sugar daddy

By Kathleen K. Wiegner

ROUND DENVER," chuckles John Lyon, head of Tosco's oil shale operations, "when a newcomer what was happening in oil shale, mers would crack, 'You'll know it's al the day Exxon gets into Well, it must be for real all because Exxon just anced it's getting into oil —Tosco's oil shale.

on is buying out Tosco's 60% er, ARCO, for up to $400 milgiving the world's biggest oil any its first significant stake oil shale business domestiARCO is no lightweight in il business, but Exxon's en into oil shale instantly to have given Tosco's projhe credibility and financial it has been looking for. No er: Exxon's cash flow of a illion dollars a month makes of the few companies capaf handling the huge capital of shale development. On 14, the day after Exxon anced it was buying into Tosco's t in western Colorado, Tosco's bounced up $4, to 24¼.

allish Tosco has been sitting on a of Colorado oil shale since 1964, ng for the day when the world d thirst for oil so badly that someould come along with enough monhelp get the petroleum-like liquid out. Thanks to OPEC, and the growing uncertainty about foreign oil supplies, the price and the time are finally right. Thanks to Exxon, the world now believes Tosco was right 16 years ago when for a song it bought the 7,714 acres of shale property known as The Colony Project, which it will now develop together with Exxon.

Tosco's Chief Executive Morton Winston
At long last, pioneering in oil shale pays off.

Any dreams Tosco (originally The Oil Shale Corp.) had of developing the property on its own faded in the face of environmental red tape and delays. In 1975 the company suspended a proposed $700 million pilot project. As delays mounted, so inevitably did costs. It will now take $1.7 billion to develop a plant capable of producing commercially profitable quantities of the stuff.

Even so, Tosco comes out smelling like a rose. Exxon gets 60% of the project but will put up $1 billion; Tosco gets 40% and its total investment is only $700 million.

Exxon's money will turn Tosco's pioneering into a full-blown, 17-story tower where crushed shale rock will be heated to 1,200 degrees Fahrenheit, sweating the oil-like "kerogen" out of the rock. If all goes well, by 1985 Tosco's Colorado site should be producing 46,000 barrels of oil a day.

For Tosco the wait has been nothing if not arduous. More than once the company thought about bailing out. Its stock was selling for a couple of bucks a share a few years back. "In 1976 and 1977 we had an internal debate about shale," remembers Lyon. "That was really the low point. One faction said, 'Oil shale is for real, but Tosco is too small to make it happen. Let's transfer our assets to another company.' "

Luckily Tosco did not sell out. Instead, it cleverly financed its long-term dream by buying up some cast-off refineries and coal properties in the Seventies. It is now the second-largest independent gasoline refiner in the U.S. (after Ashland Oil), and last year on sales of $1.9 billion it earned $80 million ($3.79 per share), up a dramatic 341% from a year earlier. Not a penny of this was from shale.

Tosco's shareholders are lucky too. Based on the $1 a barrel Exxon paid ARCO for its share of Colony's reserves, that would make Tosco's 250 million barrels worth about $12 a share. And that doesn't include either the more than 255 million barrels of reserves estimated to be locked away in the shale properties Tosco owns elsewhere in Colorado and Utah, or its coal and refining assets.

Tosco will benefit from the financial incentives for the shale-oil industry included in the omnibus energy bill currently in conference committee. But Exxon's participation in Colony also lends credibility to Tosco's proprietory process for extracting shale oil. In an-

nouncing Exxon's purchase, Randall Meyer, president of Exxon Co., U.S.A., noted that Tosco's Tosco II process was commercially ready. Such accolades do not necessarily put competing processes—such as that of Occidental Petroleum—out of the running, but they certainly boost Tosco's clout when it comes to licensing the process to others anxious to jump into the shale game.

Relaxing briefly between meetings in his high-rise office in Los Angeles, Tosco's Chief Executive Morton Winston, a former attorney, talks philosophically of what he calls the company's "monomania" about shale oil and suddenly finding himself in partnership Exxon. "We already knew shale w ble," he says, clearly enjoying th ment. "But frankly, if I were othe ple, I would hear an Exxon more p than a Tosco myself. The happy f we both were right." *(For further n Exxon's interest in shale oil, see p. 164*

The price of gold may be down 40% from its 1980 high, but it's still double last year's average price. That's good news for Homestake's stockholders and miners.

Prices down, spirits high

By John Merwin

WITH GOLD DROPPING recently from $850 an ounce to just above $500, and silver from over $48 an ounce to $12, is the enthusiasm of America's largest gold mine, Homestake Mining, dimming? This year Homestake will produce about 275,000 ounces of gold and 1.6 million ounces of silver and, with those price drops, will earn about $140 million less, pretax, than it would have earned had gold and silver remained perched on their dizzy peaks. That's maybe $8 a share after taxes.

No big problem, says Homestake President Harry M. Conger. "It's true that gold and silver prices have come down," he says from his San Francisco suite bordering Chinatown. "But right now prices are a lot better than they were at this time last year."

Conger is right. Lost in the dizziness of six months' wild price speculation is this fact: This time last year Homestake was drawing about $250 an ounce for gold and $8 an ounce for silver. That makes today's $500 gold and $12 silver, even if they have dropped lately, pretty good. Homestake thoug looked good enough in mid-May t the quarterly dividend about one-th 53 cents and declare a 3-for-2 stock

Nobody expects the full year 198 as good as its first quarter when H stake received $634 for its gold and ly $25 for its silver. A $10 dip in price, Conger agrees, costs Home about 16 cents per share on the bo line, and a $1 drop in silver re Homestake's net about 9 cents per It works the other way, too, and d the first quarter's wild gold and price runups Homestake's net near pled to $30 million—$2.63 a share even after the slide, current price nearly double those of last year, a unless gold and silver prices fall, H stake is a cinch to top 1979's net of than $61 million, $5.41 a share, by margin.

Homestake and Conger are enthu tic enough to reopen the comp 48%-owned Fimiston Australian mine, now being modernized. The one of two Homestake mines in Au lia, was closed amid falling gold pri 1976. Conger says this year Home is spending $12 million to $14 milli exploration, about double what spent several years ago. It won't hav trouble raising the money be Homestake's recent record profits left it with a cash and short-term se ty hoard of about $67 million.

Perhaps because he's seen so man and downs in his 25 years in the mi business, Conger isn't one of your a lyptic gold bugs chirping about $1 an-ounce gold. All he will say abou future is, "We think the long-term t for gold and silver prices will rise equ or faster than inflation." It's impo to Homestake shareholders that C should turn out to be correct: H stake's South Dakota gold mine is a very high cost mine.

But for now, not only are Homes shareholders happy with their stock and dividend increase, but Homest South Dakota gold miners must be py, too. They receive a sliding-scale nus, which kicked in last year when passed $275 an ounce. That bit of news raised the typical miner's c about 10%, to $362.80 a week. No the bad news. The bonus provi capped when gold passed $330. ■

Homestake President Harry M. Conger
Falling prices may have "cost" Homestake $8 a share, but he's still happy.

re's a name to remember: the Bank of dit & Commerce International.

The Arab connection

By Maurice Barnfather

HE ARABS HAVE BEEN TRYING to use a small ($160 million) piece of their oil money to take over Wash-n's $2.3 billion (assets) Financial ral Bankshares—but which Arabs? name you won't find on the record t of the Luxembourg-based Bank of t & Commerce International, n calls itself the world's fastest-ng bank. All signs, however, point e behind-the-scenes influence of Arab-controlled outfit.

o years ago Jimmy Carter's ousted et Director Bert Lance suggested to President Agha Hasan Abedi that y Financial General for himself and various Middle Eastern "clients" are believed also to be stockholders CCI. Not long thereafter, BCCI d Lance $3.5 million to lubricate ersonal finances. But on May 15, cial General shareholders voted, to 46%, to reject the Arab group's -share offer. The next day, howev-ere was talk of Financial General's recommending the sale if the bid pped to $28.50 a share.

ile BCCI itself does not appear in f the documents, at least one of the names that does—Abdullah Dar-n on behalf of Abu Dhabi's royal y—is a major shareholder in BCCI. admits it is acting for the would-be rers. Who are they, and what is ? In eight short years the bank has d from $2.5 million in assets to its nt $4 billion, and its green-and-gold-ated branches with smoked-glass ows and thick pile carpets are now ed from London to Lebanon and 38 countries between.

CI was conceived by Agha Hasan i, a 57-year-old Pakistani banker in 13 years built Pakistan's United group from scratch into that coun-hird-largest bank, before it was na-lized in 1974. Abedi wanted noth-hort of the world's biggest bank. What better formula for success than a hard-driving Pakistani's shrewdness applied to Arab petrodollars?

In 1972 Abedi secured backing from Abu Dhabi ruler Sheikh Zaid. He also approached American Express, which turned him down. But Bank of America bought a stake that peaked at 30%.

Other shareholders include 40 Middle

BCCI President Agha Hasan Abedi
Were the rules broken in haste?

Eastern individuals with 55%—no single holder has over 20%. The Cayman Islands International Credit & Investment Company (ICIC) has a 40% stake, soon to go down to 30% when 10% is spread among some new stockholders. ICIC is split into a staff benefit fund, a charitable fund and a promotions fund. That still doesn't explain who owns BCCI, which is likely to remain unknown for some time. The Arabs treasure anonymity.

When Pakistan nationalized its banks in 1974, Abedi had a natural pool of disgruntled, ambitious bank managers. He located them and his oil money in London, where, in the tradition of Bank of America founder A.P. Giannini 75 years before, he rapidly began opening branches throughout Britain's central Asian communities. For the branches, he hired Indians, Pakistanis and anyone else who could help keep out Britain's contentious and tendentious unions.

By 1977 BofA's stake in BCCI was becoming an embarrassment to both sides. With oil revenues gushing in, BCCI and its client-stockholders were ready by 1978 to buy an American bank; but the BofA shareholding precluded BCCI from direct entry into the U.S. From BofA's standpoint, the onetime investment was becoming increasingly competitive with BofA. So BofA has cut its holdings from 30% to 5.7% and plans to sell the rest by the end of June.

But is mutual inconvenience the only reason why BofA is getting out? Take a look at BCCI's accounts and you begin to wonder. Last year BCCI provided $10.2 million to its loan-loss reserve—40% of BCCI's aftertax net and over 3 times the amount apportioned to the reserve by London's big clearing banks.

A BCCI spokesman defends the abnormally high charge as "in accordance with the most conservative banking principles." But a number of other London bankers and bank stock analysts say the figures could be a sign of a loan portfolio full of weak loans. "It is the kind of thing that has been worrying the Bank of England," says a senior banking industry analyst. Two years ago the British regulators told BCCI to freeze its branch expansion program at 45. And last April the Bank of England, under the 1979 Banking Act, was deciding whom it should recognize as a full-fledged bank. BCCI still hasn't been so honored. The Banking Act requires that "to qualify as a recognized bank, an institution must possess a high reputation and standing in the financial community."

Back to America and the attempt to acquire Financial General, a deal that already has BCCI afoul of the SEC. Here's what happened: Abedi met Bert Lance while negotiating to buy Lance's control of the National Bank of Georgia on behalf of Saudi tycoon Ghaith Pharaon (FORBES, *May 15, 1978*). Lance then suggested that Abedi buy Financial General, which is Washington-based but also operates in Maryland and Virginia. Abedi persuaded Arab clients (and stockholders) of BCCI to put up the money. These clients are: Sheikh Kamal Adham, former chief of intelligence for Saudi Arabia and an adviser to the Saudi royal family; Abdullah Darwaish, who manages the Abu Dhabi royal family's finances; and Kuwaiti businessman Faisal Saud al-Fulaij.

Guided by BCCI, these Arabs bought 18.4% of Financial General at the end of 1977. (Later, Eugene B. Casey, a Financial General director, swung his near-10% stake behind the Arabs, giving them some 28.4%.) The law says such groups must tell the SEC and the public when they have acquired 5% or more of a public company's stock. But the BCCI group never bothered to inform Financial General shareholders. Their lame excuse, in the words of their chief spokesman: "If any rules were broken, it was in our haste to get things done."

Still, the would-be acquirers were compelled by the SEC to sign a consent decree which, among other things, obliges them either to divest their shares or make a cash offer to the rest of Financial General shareholders—which they are in the process of attempting to do.

It is clear that BCCI's client-b are determined to move their b operations to American shores. has followed its customers, just U.S. banks opened overseas branc service the expanding U.S. corpo in the 1960s," says BCCI's spoke That makes sense, but its approac far have been less than deft. ■

A FORBES reporter interviews China's top policymaker, who warns that the Russians are preparing to strike yet another blow.

Next Soviet target—Strait of Malacca?

WAS THE SOVIET INVASION of Afghanistan simply an opportunistic response to events, brought on by U.S. weakness vis-à-vis Iran? Or was it part of an inexorable, long-standing Soviet policy to conquer Central Asia and dominate the Middle East? Associate Editor Jean A. Briggs recently was among a group of American women journalists who had the opportunity to put that question to Deng Xiaoping, who is China's vice premier. His answer is of extraordinary interest because he is the man generally credited with being behind recent moves toward a more open economy and closer ties to the West. Deng characteristically got right to the Speaking with deliberation throu interpreter, he said:

"The invasion of Afghanistan is move in the Soviet Union's global gy. We believe it a naked express Soviet hegemonism, a new move j dizing the peace of the world.

"Not only that, but Afghanistan neighbor so these events pose a th China itself as well as to the worl our hope that all countries will su the people of Afghanistan.

"Asia and the Pacific Region, t part of the Soviet Union's global gy. Concomitant with its build forces in Europe and the Middle Ea Soviet Union has been building up in the Pacific area. Its Pacific fleet i on a par with its Atlantic fleet.

"Its aggression in Afghanistan is tinuation of the old czarist effort t warm-water port. But the Soviet will not stop with Afghanistan; i continue to press ahead. It will control south Asia and the Middle and to grab strategic resources, th encircling Europe.

"Of course, these aims are linked

China's Vice Premier Deng Xiaoping
Tough talk about Soviet intentions.

ategic aims in the Pacific and Asia. ıts to link these two strategic areas ntrolling the Malacca Strait. Then block the strait, and the world will ed with a very grave situation."

Strait of Malacca lies between the Peninsula and the Indonesian is- of Sumatra; it is the crucial trans- ink between the Indian Ocean and outh China Sea. Deng went on to at Soviet penetration into the area lready well advanced. Then he ex- ed why China continued to support loodstained, internationally dis- ed forces of Pol Pot in Cambodia.

ie Soviets have a ready-made naval t Camranh Bay as well as scores of rn airfields, all provided by you icans. If the Vietnamese, who we e the Cubans of the Orient, succeed mpuchea [Cambodia], another base e available to the Soviet Union in oukville [Kompong Som]. The Sovi- tually started using these bases be- he Vietnamese launched their ag- on against Kampuchea.

you know, we are supporting the ucheans [the ousted Pol Pot forces] st Vietnamese aggression, and we stated often that if the Vietnamese other Asian countries, such as and, we will support Thailand."

en the questioning turned to Iran, chose his words even more careful- he situation in Iran is more compli- It is not the same as Afghanistan. urse, we do not approve of the Iran- holding American diplomatic per- l as hostages. We do understand he actions the American Adminis- n has taken recently were taken difficult conditions. We are aware he Soviet Union is trying to exploit ituation. We hope it won't give opportunity to the Soviet Union.

e do have some differences with J.S. Administration over this, par- rly because of the crisis in Afghani- We think the main attention of the should be focused on Afghanistan. ve understand that it is a difficult ion."

connection with the south Asian ion, Deng Xiaoping said it was his that the U.S. would do something antial to help Pakistan.

was asked about Korea. He said hoped the two Koreas would even- be peacefully reunited. He rejected proposal for a four-nation confer- on Korea, however, saying:

here is no question of a four-party rence. Formerly you could say there four parties, but China withdrew all lunteers long ago. Of course, the has troops there, so we think if a solution is to be achieved the U.S. e in touch with North Korea. We always advocated that U.S. troops thdrawn from Korea because such a drawal would serve the interests of a dialog between North and South Korea and eventual reunification. We think such a withdrawal would help improve the U.S. position. Of course, people wonder whether such a withdrawal would make it more difficult to counter the Soviet Union. But since it would involve moving the forces only some hundred kilometers [to Japan], it isn't such a problem."

What about Taiwan, that old sticking point? Deng Xiaoping seemed almost philosophical.

"We have never ruled out the use of force," he said, puffing on his inevitable Panda-brand cigarette, "but we lay our emphasis on a peaceful settlement. We have put all our cards on the table. We take a realistic attitude toward bringing it back. We will allow them to keep their social system unchanged, permit them to continue their way of life. We will not do anything to lower their standard of living. We will even permit them to maintain their own armed forces as a local government. But the point is, Taiwan is a part of the People's Republic of China. The authorities there should become local authorities with wide powers. Our only requirement is for them to cease calling themselves the Republic of China and to cease to use the flag. We are most magnanimous."

As a grim reminder that China—for all its moving toward the U.S. and toward a freer economy—has not completely abandoned its basic ideology, the ubiquitous ideological portraits still include the infamous Joseph Stalin along with Marx, Engels and Lenin ("the *new* Gang of Four"—that's the latest underground political joke in China). But this jarring note aside, China is all friendship for America and Americans. Deng reminded us that China has pulled out of the Moscow Olympics—which is more than one can say for such so-called American allies as France. He pointed out that, just as the U.S. has suspended action on the SALT treaties, China has suspended its talks with the Soviet Union over settling their differences.

Nobody knows what the next twist in Chinese policy will be but, for the moment at least, there isn't the slightest doubt about whose side the People's Republic is on. ■

To do business with China it helps to know and be known. Consider E-S Pacific Corp.

The China trade

By Michael Kolbenschlag

MORE THAN A YEAR AGO, when the press was full of multibillion-dollar deals between the People's Republic of China and U.S. business, FORBES warned: "American businessmen would be wise not to expect too much too soon from trade with China."

Events proved us right. Most of the "billion-dollar deals" never got beyond the press-release stage. But all that means is that things move slowly in China. There have been three winners so far. Hughes Tool and Schlumberger Ltd., both energy service companies, are predictable because an industrializing China is keen to develop its own energy reserves. But who is E-S Pacific Corp.?

The story of how this privately owned, San Bruno, Calif. company nosed out perhaps a hundred potential hotel developers and won a joint-venture agreement to build a 1,000-room hotel just outside Peking suggests that the biggest and best-known American companies won't always bring home the bacon when dealing with the Chinese.

"We don't see ourselves as hotel builders, but that's where China's interest lies," says 32-year-old John Eaton, treasurer for the fledgling investment company founded last year by his father, Cyrus Eaton Jr., himself a son of the late Cyrus Eaton Sr. The name rings plenty of bells in China, where it is regarded with something approaching reverence.

Cyrus Eaton Sr., awarded the Soviet's

E-S Pacific Treasurer John Eaton
A lot of explaining, but worth it.

International Lenin Peace Prize, was one of those curious men who blend business success with left-wing politics—a mixture often helpful in dealing with socialist countries. Two years ago another Eaton family company, Tower International, landed a $60 million contract to build a Leningrad hotel.

The Chinese regard Cyrus Eaton Sr. as respectfully as the Soviets do Occidental Petroleum's Chairman Armand Hammer. Without doubt this, along with the fact that E-S' President C.B. Sung is himself Chinese, helped E-S win the tortuous inside track against far better-known hotel developers. But still it wasn't easy.

First the Chinese were puzzled and somewhat chagrined by E-S' hotel development subsidiary, domiciled in Bermuda. "The Chinese couldn't understand why we were doing this," says Eaton. "They clearly were disappointed that it wasn't U.S.-based." Understanding U.S. corporate tax strategy was just the beginning of knotty problems. The Chinese balked at discussing the hotel deal with E-S' lawyers or bankers. "They don't like third parties," explains Eaton. What's more, because no individuals own land in China, and because the government and social structures are highly bureaucratic, E-S executives had to negotiate with 25 to 100 Chinese at a time.

After six months of bargaining and banquets where gallons of mao tai—a high-powered grain alcohol likened by some to nail-polish remover—flowed freely, the deal was signed. (It's said that the Chinese don't really like mao tai, but the potion elicited such praise from Henry Kissinger that now the Chinese firmly believe all Americans enjoy it.)

The Chinese wound up with 51% of the hotel joint venture, even though E-S will carry all financing until the hotel is open and generating enough revenues to pay down debt. Just to have a crack at the deal, the U.S. company spent some $2 million on planning even before the hotel was approved by the Chinese.

Hughes Tool didn't have the same political edge that E-S had, but perhaps the magic of the Hughes name helped. Hughes Tool President James R. Lesch has been talking to the Chinese for over four years about building a Hughes rock-bit plant in China. Finally last month he came away with a ten-year $200 million deal to build the plant in central China, which will eventually generate royalty payments for Hughes. Meanwhile the Chinese, anxious to begin oil production, will buy Hughes drilling bits. "It's taken the Chinese seven years to get to know us," says Lesch, a dapper man of 58. "But I think they're beginning to understand how U.S. business people operate. They tend to be meticulous and a little suspicious and ended up asking a lot of technical questions."

Hughes tailored the deal specifically to suit China's lack of foreign cur Hughes didn't insist on a joint v and agreed to spread terms out ov years, so the Chinese would not be with any big, lump-sum payments

Some of the terms in the E- Hughes deals would be unheard most world markets, but for China corporations seem to think the t and extra efforts are justified. "It's my experience," says Lesch, "tha we've made a deal, it's a lot eas make more deals for other things."

Meanwhile Fluor Corp. of Irvine, has been trying for 15 months t down an $800 million copper n project. The Chinese have appro but are reportedly poring over in reports and feasibility studies. C things don't happen in China at th to which Americans are accustome then that's the China trade. ■

With people earning less than $20,000 pay heavy taxes, you can bet there's a stro constituency for reduced federal spendi says the new Senate budget chairman.

Frugal Fritz

By Jerry Flint

MOST OF US WILL BELIEVE a balanced federal budget only when we see it—maybe never. But the chances improved a bit last month when Edmund Muskie quit the Senate to become Secretary of State. Succeeding him as chairman of the Senate Budget Committee was Ernest (Fritz) Hollings, the 14-year Democratic Senator from South Carolina. Muskie was no spendthrift, but as a traditional liberal he was committed to many social programs of doubtful merit. Not so Fritz Hollings. He has been critical of expanding welfare projects and strong for more defense. "They got me down as a militarist," he says. "Well, I know poverty, I know hunger, but I just don't think folks making $15,000 to $18,000 a year should be paying taxes to give three meals a day to people making $10,000 a year.

"I think it can be done," he says of a balanced budget. "Being chairman makes you a little more persuasive. There will be some leaks and breaks. It's not easy." The $40 billion deficit for fiscal 1980 means "an $80 billion swing" to get into balance next fiscal year. The

Senator Ernest Hollings, new budget b
A chairman is a bit more persuasi

lobbyists put the pressure on, he n especially "the cities and counties, Jackson saying the sky is falling." support deficit financing to support social programs. But Hollings says gress is working to control costly, w ful programs. "People are coming to paying your damn bills for a change says. "I've got a feeling we've got t those bills."

Budget-making is not a single a but a long process. The President poses a budget, as he has—twice fact—for 1981, and the Congress n

and sets it as a goal. This fall ess will review and possibly adjust '81 budget. But that's just the be- g, for actual spending may easily the budget goals. For fiscal 1980, Sept. 30, for example, the budget ounced from a $20 billion deficit billion and will probably end up ast $40 billion. When the current deficit was soaring this spring, be- e became the committee chair- Hollings tried to freeze the deficit wer level: "The economy is in a real emergency, and 1980 dollars have every bit as big an impact as 1981 budget dollars. Everyone is looking at the 1981 proposals, and I am no exception, but I want to make certain we don't break our promises and bust the 1980 budget even more. He lost, but fights for '81 now.

"The task is to hold it," says Hollings, an ex-governor of South Carolina and a Senator since 1966. He recalls some of the steps that led to the growing deficits: "We had the idea of revenue sharing rather than categorical grants to the states. We got both." Then there was the "full employment budget," the theory that the Congress should pretend there was prosperity when there wasn't, and spend accordingly.

The change at the Budget Committee from Muskie to Hollings doesn't mean social spending will be cut to the bone while the military slurps at the trough. Even the Budget Committee chairman doesn't have that much power. But Hollings changes the tilt a bit, and every little tilt helps. ■

60 years, railroadmen have dreamed of solidating into a few powerful systems. Is dream finally coming true?

Here come the megamergers

By James Cook

ONE GOOD MERGER deserves another. That's the philosophy behind last month's grandiose proposal to merge the mighty Santa Fe Industries with the somewhat bigger but less profitable Southern Pacific Co. Santa Fe Chairman and CEO John S. Reed calls it a "megamerger." What brought it on was the announcement in January that the rival Union Pacific was planning to merge with Missouri Pacific. Prior to that, says Santa Fe President John J. Schmidt, "We thought we could compete very effectively on our own.

"With the formation of the megarailroads in the West [BN and UP] and a looming megarailroad in the East [Chessie-Seaboard], you have to look at where you will be in the long-range future," Schmidt says. "Two very strong corridors have developed and are developing in the West—the Burlington Northern in the northern corridor, the Union Pacific in the middle corridor. We think a strong southern corridor will result in greater viability long term for the transportation system in the West."

It would certainly create a huge system: $8.9 billion in assets, $5.1 billion in revenues and 25,000 miles of track. For the Santa Fe, Southern Pacific was probably the best of a limited number of choices. Unlike the Missouri Pacific, whose fortunes have been intermittently improving for nearly two decades, Southern Pacific's earning power has been in decline. SP lacked the coal and grain traffic that have transformed Santa Fe's prospects in recent years, and its efforts to diversify into other things—telecommunications and mortgage insurance—if not unsuccessful, have not yet paid off. "From the facts and figures," Schmidt concedes, "Southern Pacific hasn't been doing too well lately—that's obvious." But Santa Fe's Chairman John Reed and Southern Pacific's Chairman and CEO Benjamin F. Biaggini saw the competitive position of the two roads in jeopardy from UP's merger and argued grimly that the "efficiencies inherent in this combination are necessary to maintain our competitive position."

Megamerger

rlington Northern will be longer, a Union Pacific-MOP combine should ke more money, but with close to $9 billion in assets, a Santa Fe-SP merger uld create the industry's largest and most widely diversified company.

Certainly the merger would improve the competitive position of the two companies—insofar as each would be eliminated as the other's competitor. Whether the merger would make for operating efficiencies is difficult to assess, but the history of similar mergers—Penn Central, Seaboard Coast Line, to cite the most notable precedents—is not exactly encouraging.

For Southern Pacific, the merger offered an opportunity to dilute its problems in a larger entity and to avoid the massive ($250 million) expenditures that would be necessary if it succeeded in acquiring the Tucumcari line from the Rock Island and rebuilding it to compete with the Santa Fe. The deal would also cut Southern Pacific in on Santa Fe's booming coal, grain and oil income.

True, having produced 44% of the combined company's earnings last year, Southern Pacific would end up with only 40% of the merged company's equity. This seemed to be recognition of the fact that Santa Fe's earnings trend has been more favorable than Southern Pa "On a one-, three- and five-year Schmidt observes, "the projected earnings of both companies will pretty close to that [40%] figure."

What chance does such a merge before the ICC? At this point anybody's guess. Certainly Union is not likely to raise any objectior with a merger of its own in the and if that megamerger takes plac ta Fe may be able to argue that it its own megamerger inevitable. ■

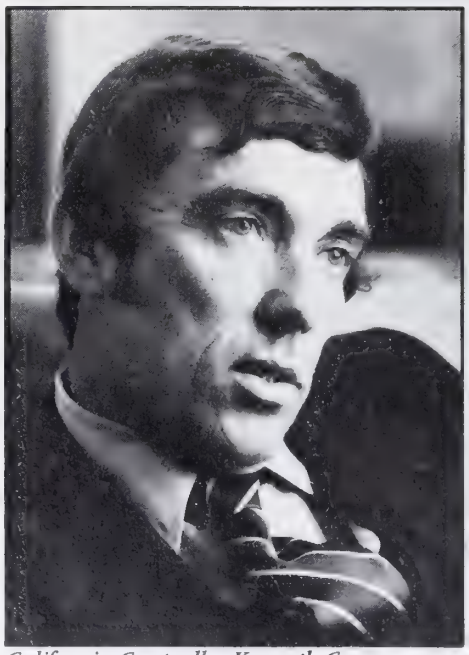
The spirit of tax reform that is sweeping the nation seems to be getting out of hand in California, where it all began.

Tax reform, Robin Hood style

If you think that the most controversial item on the June 3 ballot in the California state primary is Proposition 9, Howard Jarvis' attempt to cut California state income taxes by 50%, take another look. While Jarvis has been grabbing all the headlines, an unlikely alliance including California Governor Jerry Brown, the Sierra Club, the League of Women Voters and even Jane Fonda has been stumping the state in support of Proposition 11, an unabashed attempt to "Tax Big Oil"—as it says on T-shirts seen along Venice Beach.

Proposition 11 would levy a 10% surtax on the California profits of any company that obtains at least 50% of sales from the processing, distribution or marketing of oil, natural gas, coal or uranium. Proponents of the bill say the measure would produce as much as $400 million next year that could be put aside to fund alternative energy development and the bettering of mass transit.

The philosophy behind the surtax is at least as old as Robin Hood. But the notion of taking from the rich to give to the poor is visibly spreading in the surly tax reform mood that has been developing in California. With an estimated 1980 budget surplus of $2.6 billion, the state government itself is the biggest target. Right behind it stand the oil companies. (Indeed, it's said that if Proposition 9 does



California Controller Kenneth Cory
"Not through plebiscite and pressure."

lose in California—as seems likely—it will only be because opponents were able to develop a good case that income tax hurts the rich more than the poor. So why cut it and help the big guys out?)

To hold off "Prop 11" the energy companies have predictably circled their wagons into a multi-industry opposition force called Californians for Fai ation. Few oil executives will pok heads out of this group for fear of ring still further reprisals by the ci ry. Thus, one top official at Standa of California in San Francisco says not for attribution—that SoCal, a ployer of over 16,000 in Cali might actually consider moving the state if this kind of antibusines timent continues. Another rare gl of the oil company angst comes Sidney R. Petersen, chairman and of Getty Oil in Los Angeles. Says sen: "If Prop 11 passes, and it pr would if the vote were held toda state income taxes would doubl base our investments in Californ incentive, and a doubling in the ta would mean less oil would be produ California. That would cost the sta the nation."

No matter what happens on the ballot, California tax-reform supp are already trying to qualify yet ar populist measure for the upcomin vember ballot. This one, the tax sir ity act, would, among other thing crease California corporate tax rat all companies by 25%. The res jump from 9.6% to 12% would loa California companies the nation's est corporate tax rate.

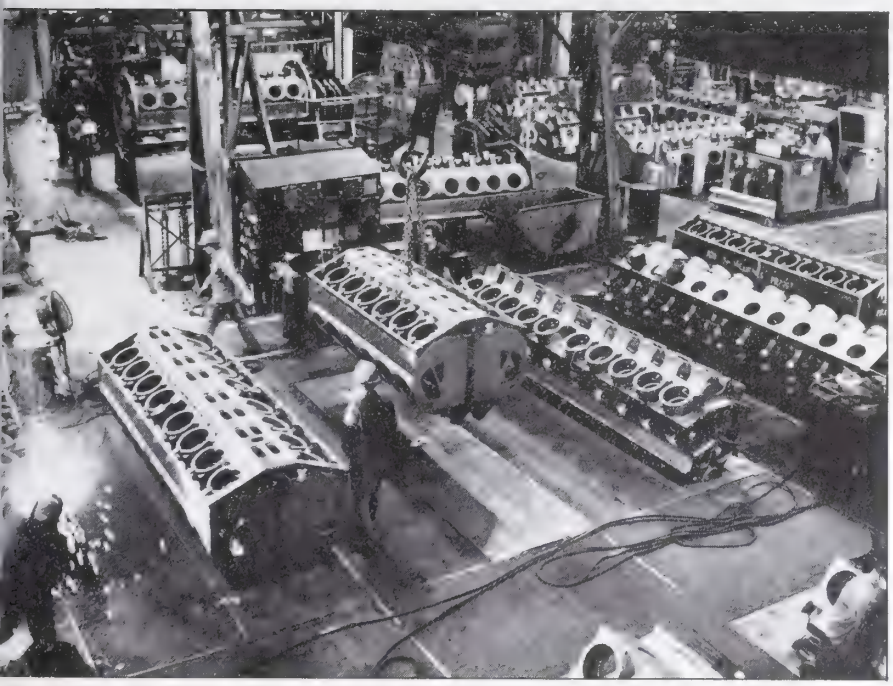
The apparently growing effort to it to the rich through ballot-box t form clearly worries State Cont Kenneth Cory. "I'm not an advoc big oil," he says, "but these kinds reforms are reacting to immediate tional needs. I, too, think taxes sho cut, but not this way. Not throug plebiscite and pressure groups. Basi nomic needs are being ignored."

The mere specter of what could pen in California—the nation's populous and prosperous state—wa ficient for both Standard & Poor' Moody's recently to downgrade th ing on $6 billion in California bonds. It was a warning to Califor that, if they don't stop playing Hood with tax reform, they may e living out yet another fairy tale: th about the Golden Goose that make it.—*Michael Kolbenschlag*

re's a bit of irony: General Motors, which so much to end the railroads' near mo-poly on transportation, is making a nice k out of the railroad business.

"Just keep it comin' in"

o-Motive's new diesel (above) *and those who build it at the La Grange, Ill. plant*
GP40X, a 3,500-hp prototype used by Union Pacific, is the forerunner of a notive series expected to be adopted by U.S. railroads. It is faster and uses uel than the old 3,000-hp model, but hauls a third more tonnage.



By Bob Tamarkin

THE ONLY UNFAILING BRIGHT SPOT for General Motors Corp. these days is a division based in La Grange, Ill., which by itself is a big company but is almost unnoticed in GM's gigantic scheme of things. In La Grange, at the 4 million-square-foot Electro-Motive plant, some 11,000 workers are busy in two shifts daily, churning out 5½ giant diesel-electric locomotives. Another 1,700 at Plant No. 2 in South Chicago are making cab sides and engine and transmission components. Depending on options (some 150), the engines cost anywhere from $500,000 to $700,000 each; the sale of diesel components and other power products adds the production equivalent of another 3 engines a day, according to Warren A. Fox, director of division sales. Electro-Motive's heavy-duty diesel engines also go into everything from oil rigs to tuna boats. Total sales: more than $1.2 billion a year, a 21% increase over those of 1978. Railroad locomotives may not be the glamorous market they were in the grand days of railroading, but the nation still needs the railroads, and, with a solid 75% of the U.S. locomotive market, Electro-Motive seems to have an assured future. Its profits last year were an estimated $40 million; this year probably $45 million.

"We're working on a backlog through early 1981," says a smiling Peter K. Hoglund, 53, GM vice president and division general manager. No downturn appears in sight. The statistics support Hoglund's optimism. Railroads currently haul one-third of the ton-miles with 1.6% of the total amount of petroleum used in the nation. Moreover, last year the railroads hauled an alltime record 900 million ton-miles, up from 760 million ton-miles in 1969. Through April of this year, despite the general economic slowdown, ton-miles were running ahead of last year by nearly 8%. Dramatic increases in coal, grain and paper production, Hoglund says, have proved a boon for the railroads. "Railroads have gone through some tough times," he says, noting that in 1975 Electro-Motive was building only 2½ to 3 engines a day. "We know this country needs a rail system." Unfortunately for Electro-Motive but fortunately for the railroads, locomotives are tough machines and last for 30 years or longer. Still, with 27,000 of them plying the nation's tracks, replacement demand comes to 900 a year and there is an equal dollar volume in parts and rebuilding.

Hoglund, a tall, affable 31-year GM veteran with a degree in mechanical engineering from Princeton University, enjoys a measure of independence within the GM framework that few of his peers can match: "We love our business because there are few people meddling in it," he says. "In the auto business, every-

body is an expert." Every time he sees GM President Elliot M. (Pete) Estes, laughs Hoglund, "He tells me just to 'keep it comin' in.' "

That's exactly what Electro-Motive has been doing. GM recently sold 47 all-electric locomotives for $135 million to Amtrak for use in the busy Washington-New York Northeast Corridor. Chicago & Northwestern Railroad has ordered 50 of GM's newest 3,500-horsepower locomotives, designed to go faster and haul one-third more than the older 3,000-horsepower model. The engines employ a radar device that automatically controls ground speed. Twenty-three prototypes have been in use by Santa Fe, Union Pacific, Southern Pacific and Southern railroads, accumulating some 5 million miles. Each engine carries a price tag of more than $500,000.

GM's competition is another giant, General Electric, whose Erie, Penna.-based Transportation Systems Business division has the remaining 25% of the U.S. market. However, GM's overwhelming volume doesn't give it a price advantage. The main reason: labor costs. GM's United Auto Workers are paid $3 to $4 an hour more than GE's United Electrical Radio & Machine Workers of America. It's not that GE has been unaggressive in exploiting this advantage, but for years GM had the domestic market all to itself.

A General Electric predecessor company built its first locomotive back in 1880, but it didn't get into the fast-freight domestic diesel-electric market until 1960—more than 20 years after GM. Electro-Motive was acquired by GM in 1930 and 5 years later the La Grange facility was built, then a modest 201,000 square-foot plant employing 400 persons. By the 1950s GM was highballing ahead, leaving in its tracks such once-great companies as Baldwin Locomotive, American Locomotive and Lima-Hamilton, who have long since dropped out of the locomotive business.

Today there are more than 45,000 GM locomotives made by Electro-Motive and its nine overseas associates operating in 52 countries. This compares to GE's five overseas affiliates and about 8,200 locomotives. Nevertheless, insists GM's Fox, "Competition is tough in the foreign markets." Lately, everywhere GM turns overseas it runs into GE. For example, in April GE outbid Electro-Motive to land a contract with Mexico for delivery of 600 to 1,000 locomotives over the next ten years. It is the biggest such order in GE history, worth between an estimated $48 million and $70 million in the first year alone. Mexico already has 319 GE-built engines and an additional 42 will be delivered this year.

"All developing countries need a railroad to increase their gross national product," Fox says. China? Says Hoglund: "China has got great desires, but little money to pay for them. [GM Chairman] Tom Murphy wants to know when we're going to stop visiting and start selling."

While Electro-Motive-s backlog is bulging, these things can change fast. "Once railroads start canceling orders, you can't do anything about it," Hoglund. He admits that GM sales already been hurt a bit by the ban Rock Island, which sold its engir other railroads. "We've told the leadership that layoffs may be con Hoglund says. But he's keeping hi gers crossed. ■

A strong currency can be dangerous to yo health. Consider, for example, the plight British jet-engine maker Rolls-Royce.

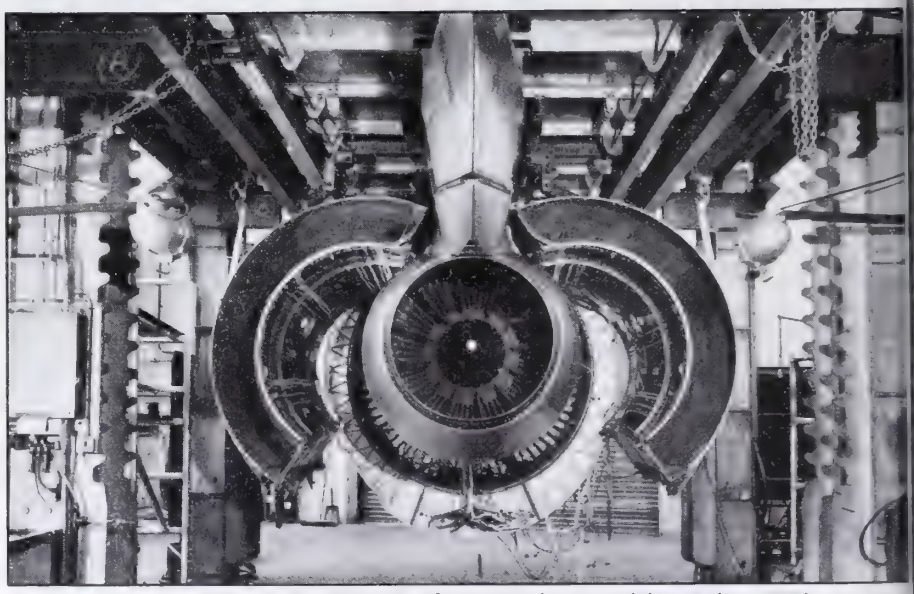
Catch $2.25

By Barbara Ellis

IN THE GRIMY INDUSTRIAL TOWN of Derby, 126 miles north of London, U.S. foreign policy and the dollar's performance are hot topics. It's self-interest. This is the center of Rolls-Royce's aircraft engine operation.

In the entrance hall of RR's factory headquarters, a church-style stained-glass window honors Britain's World War II pilots. RR engines powered the Spitfires, Hurricanes and Lancasters that held off Germany's Messerschmitts, Stukas and Heinkels nearly 40 years ago. Today, however, RR's battle is to hold on to and increase its share of the com cial aircraft engine market, estimat be worth $60 billion in the Eightie adversaries: General Electric's air engine division and United Technol Corp.'s Pratt & Whitney. Current ket shares are estimated at 42% P&W, 20% for GE and 15% for RR.

Approximately one-fourth of sales come from its RB 211 engines, rently used in Lockheed's TriStar Boeing's 747, an engine series com tive with GE's CF6 and P&W's JT9. major customers as well as compet based in the U.S., RR signs most tracts in U.S. dollars. And that, RR



Rolls-Royce RB 211-535C engine, on test for Boeing's 757—delivery date 1983
A tab Thatcher's Tories have to pick up.

l early in May, could cost the com-
t least $100 million by 1981.

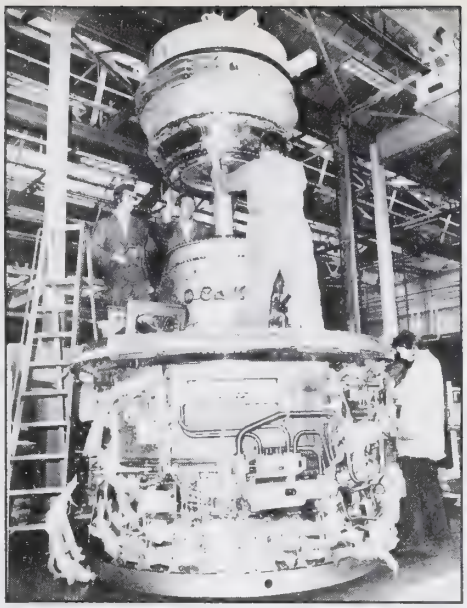
problem, of course, is that while
evenues come in the form of dol-
ne majority of its raw materials and
costs are in pounds. The fact that
ound has soared 26% against the
since early 1978 explains why RR's
chairman, Sir Frank McFadzean
es, *Dec. 10, 1979*), reported a "very
ointing" $132.5 million loss for
n sales of $1.9 billion. This has led
certain amount of levity in RR's
force. "Here's the company always
ting us to increase productivity,"
one worker. "We do, and all the
is knocked into oblivion because
financial wizard miscalculates."

calculation, of course, had nothing
with it. "These aren't actual
," explains RR's ex-chairman, in-
ent banker Lord Keith, who head-
for the seven years up to the end of
Keith, now back full time in the
e sector with Hill Samuel, goes on:
are provisions for losses that
be made [on engines already sold] if
ng remains at its present level
]. I personally don't think it will."

iewed by FORBES in his office next
to RR's London headquarters, the
tly pin-striped Lord Keith was
logetic about contracts (as with
Am for TriStars and Eastern for
that critics say were priced too
He says the prices had to be low to
RR in the running. "The others
competitors] take contracts on a
nal basis," he says. "This is the
for market share." He is right, of
. Had RR tried pricing its contracts
e assumption that the pound was
to be driven higher by Britain's oil
h, RR probably wouldn't have ended
th any U.S. business at all.

any rate, the present situation is
ng like 1971. That was the year RR,
private company, ran out of cash
d to develop its RB 211 series. It
to get Edward Heath's Tory gov-
ent to hand out the kind of bailout
eed, its partner on the TriStar proj-
t from Congress. Instead, RR went
an image-crushing bankruptcy.
takeover followed, though the
auto division was reborn as a sepa-
ublicly held company.

h is again running low at RR, but
me bankruptcy isn't an option. An-
antihandout Tory government has
quick to affirm its support for the
t programs, which include devel-
the RB 211-524B for the advanced
r and the RB 211-535C for
g's 757—the first time Boeing has
foreign engine as standard equip-
on a new model. Impressed, Sir
Joseph's Industry Ministry rapidly
up additional aid of $408 million
is year, and converted some inter-
aring loans to noninterest equity.



Rolls-Royce RB 211-524 in production
The pound soared: So did losses.

Rolls is far from being the only British manufacturer hurt by the strong currency. Unlike some of the others, however, RR is important in that it helps keep Britain in the forefront of technology. It certainly didn't hurt the company when it was announced last month that America's Pratt & Whitney would team with Rolls to produce jointly a British-designed engine for jet fighters that will be capable of vertical and short-run take-offs. Apparently Prime Minister Margaret Thatcher and her ministers have decided that RR's prospects are good enough to warrant the extra aid.

"Spain 300 years ago was ruined by too much silver," laments Philip Whitehead, a Labour member of Parliament who sees oil as a similar threat to Britain today. Whitehead, whose constituency includes 18,000 Rolls workers, often exhorts the government to drive down the pound's value. Alas, in this complex modern world, a strong currency creates as many problems as a weak one. ■

Bumpy road ahead. So hit the accelerator, says Cummins Engine's Henry Schacht.

Fasten seat belts

By Harold Seneker

IN 1974, 80% of Cummins Engine Co., Inc.'s backlog was canceled in 21 days. This year, Henry B. Schacht, 45, already plans 2,000 layoffs among his 12,000 Columbus, Ind. workers. But unlike a lot of business people Schacht is already making plans for 1990. For Cummins (1979 assets, $1.1 billion), that means capital spending of nearly $900 million in the next five years, at least $400 million of it using new debt.

That may sound very gutsy, but CEO Schacht and his board see it more as a necessity, despite the extreme volatility of the heavy-duty diesel truck engine business. Facing competition from General Motors, Caterpillar and Mack Trucks, big European competitors, and the frequently whimsical surveillance of the Environmental Protection Agency, Cummins is not without its problems. Cummins stock has lately been selling for around 29½, about 4.3 times 1979's earnings of $6.68 a share on sales of $1.7 billion (down from $7.99 in 1977), and not very impressive when you consider that book value is $57 a share and net current assets come to nearly $35. "The price is being held up as high as it is," grouses one security analyst, "by takeover rumors because Gulf & Western bought 513,000 shares [about 6.15% of the total outstanding]." But then, seemingly contradicting himself, he adds that the founding family still owns 25%, "and you're not going to do anything without them." Which maybe says Charles Bluhdorn really is buying for investment and sees things that less perceptive investors are missing.

Unlike investors with a short attention span, Schacht must consider the middle distance. And what he sees is that the price of diesel fuel, now around

$1.10 a gallon, could well cost $5 a gallon in 1990 (an increase of only 14.7% a year). And that, as Schacht and Cummins see it, creates opportunities Cummins cannot pass up, however big the capital investment.

Diesels' fuel consumption runs a good third below that of gasoline engines, and maintenance costs are minuscule by comparison; the engines last as much as 500,000 miles with only minimal overhauls. You invest 2 to 3 times the price of a comparable gasoline engine to get those savings.

In the days of cheap fuel, that kind of economics worked mainly in the heaviest workhorse situations—heavy-duty highway trucks (Class 8, 33,000 gross pounds and up), monster offroad equipment and such industrial applications as generator sets. Or in Europe, where fuel costs were already high. Under Schacht's predecessor, J. Irwin Miller, Cummins sold to these other markets, but concentrated on building the biggest, highest-priced, most lucrative truck engines whose reputation was so high that truck buyers often specified Cummins engines in GM, Mack or International Harvester vehicles.

Thanks to OPEC, the market is broadening decisively and, strictly on a cost-benefit basis, many smaller trucks ought to have diesel engines, says Schacht.

So, on top of Cummins' ongoing capital spending, Schacht is adding costly new engines to compete for smaller trucks. That includes building an entirely new line of smaller engines with J.I. Case, Tenneco's offroad equipment maker. These engines, designed for Case's products, will be adaptable to trucks all the way down to pickups. Altogether, they will require an investment by Cummins of $600 million.

Schacht, a careful, logical man, is obviously excited by the prospects. "In the U.S., there is a market of about 200,000 Class 7 and 8 trucks a year; it's growing perhaps 2% to 3% a year, and it's virtually all diesels. Adding Class 6 virtually doubles that market. Then there are Classes 3, 4 and 5, only about 40,000 specialty vehicles a year in the U.S. but very big in Europe, and we get a th our revenues from abroad now. Fir some 300,000 or so of the harder-wo Class 2 pickups might become c dates for diesels by 1990."

Schacht spins out these plans a temporary headquarters in a smal mer hotel on Washington Stree downtown Columbus, Ind., while C mins' three-block-long concrete building goes up a couple of blocks a He makes clear that Cummins' phe enal success in 1976 and 1977 was u tainable, because it stemmed from a time advantage over its principal petitor, GM's Detroit Diesel Al division. Cummins introduced a fu ficient engine that GM couldn't m (FORBES, *July 15, 1977*) and its sha the Class 8 market shot up from a t tional 49% to 54%. That's why earn in 1977 hit $7.99 a share, compared the previous cyclical peak's earn 1973's $3.53 a share. The GM divi whose market share dropped below 2 came back quickly with its own proved models and muscled its way up by offering costly warranty deal the same time, Cummins ran into hi uncharacteristic manufacturing glit on EPA-required changes.

Now the pricing pressure is mod ing, but the recession is upon us. first quarter earnings, hurt by the I national Harvester strike, were onl cents a share, compared with $2.6 year before. Margins swing wildly in years, so Wall Street estimates for a 1980 range upward from $1.60 a sha

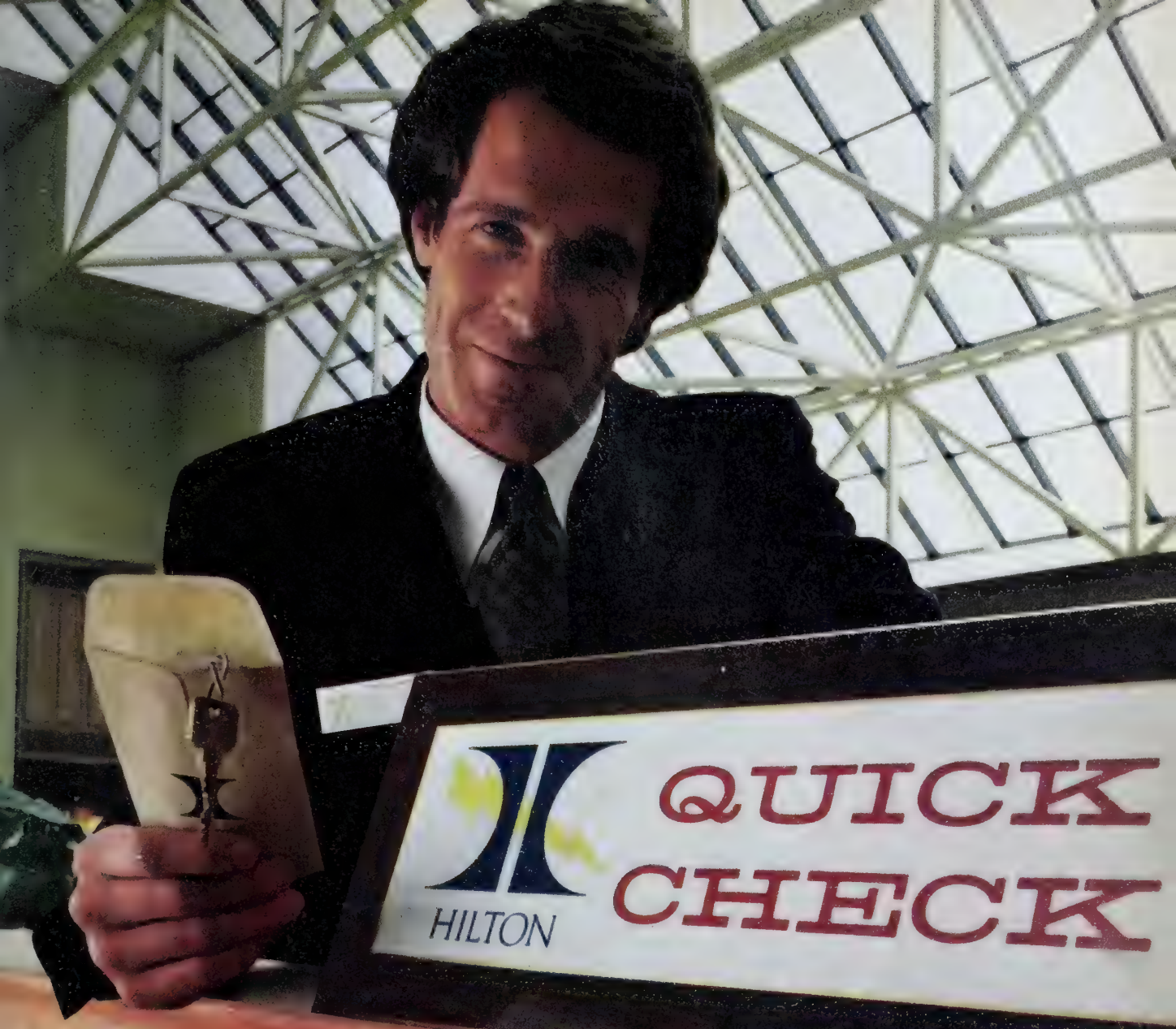
But even if the recession wors Schacht feels the company's fundan tal financial structure is more than quate to support his expansion pl "People forget we are a large-cash-f business. Our operating profit last was $107 million and depreciation $43 million, while interest expense $22 million and the dividend $15 lion. It's cash flow that pays the inte and the dividend." Which leaves the tire net profit for reinvestment.

"Actually," says Schacht, "our w cash stress is right now, when ev thing is still going full tilt and costs rising from inflation, and we have carry large amounts of inventory and ceivables. But incoming business is sl ing down drastically. Later, during recession, the receivables and inv tories run off and cash flows in.

"We don't begin any stage until have it completely prefunded," Scha goes on, "and we have several poi built in where we can stretch things if we need to. We assume another 19 75 recession this time, and then a sec recession around 1985." There's a tain risk, but with OPEC and technol on Cummins' side, it seems minin Still there could be a rough ride for Cu mins, for a while. ■

Henry B. Schacht of Cummins Engine

The way the price of gasoline is going up, it's a bargain at $900 million.



TAKE THE SHORTCUT TO YOUR ROOM.

ign up now for Hilton Quick Check®. And never wait in line again.

pplication for Hilton QUICK CHECK.

s a Quick Check member, you have a guaranteed rst night reservation. And your room key waiting the Quick Check lobby location. Apply now.

me _____

mpany _____ Title _____

dress _____

ty _____ State _____

p _____ Tele (___) _____

mber of business trips per year _____

Home Address _____ City _____

State _____ Zip _____ Tele (___) _____

I agree to cancel my Quick Check reservation if not needed, or to accept a charge for the first night's room rental through direct billing.

Date _____ Signature _____

For reference purposes only, provide name and number of one of these credit cards: Hilton, Carte Blanche, American Express, Visa, Diners, Master Charge.

Credit Card _____

Number _____

Mail to: Director of Commercial Sales, Hilton Hotels Corp., National Marketing Division, 9880 Wilshire Blvd., Beverly Hills, Calif. 90210.

FB-6/6

There's no place like HILTON.

SOUTHERN RAILWAY CARRIES THIS MAN

"Guess how far a truck could carry it."

L. Stanley Crane, Chairman, Southern Railway System, Washington, D.C. 20013

The railroad is the most efficient user of fuel in the transportation industry. Bar none.

And the Southern Railway is one of the most efficient railroads in the country.

For instance, on the Southern, this 500-lb. stack of blankets can travel 896 miles on one gallon of fuel. How far could a truck carry it on the same amount of fuel? Well, the railroad is, on average, about four times more fuel-efficient than trucks and 60 times more efficient than planes. So it's easy to see that trucks can't carry freight anywhere near as far as railroads can per gallon of fuel.

What does this mean for the future? Well, it means that trucks will be used less and less for long hauls.

More and more products will ride on the Southern, and trucks will be used for distribution at the other end of the line. Because, in the coming years, only the railroad will have the energy-efficiency for long hauls.

We have the energy for the long haul.

SOUTHERN

THE RAILWAY SYSTEM THAT GIVES A GREEN LIGHT TO INNOVATIONS

ANKETS 896 MILES ON A GALLON OF FUEL.

THE TASTE BEYOND 12-YEAR-OLD SCOTCH

Discover more.

Let your mature taste lead you from the finest premium Scotch on up to the most expensive 12-year-old Scotch in the world. The Glenlivet. The ultimate in Scotch.

Most premium Scotch is blended and depends on several whiskies for taste and smoothness.

Yet the unblended character of The Glenlivet is noble enough to stand alone. In this distinctive Scotch whisky you'll experience an exceptional smoothness and full-bodied richness, unmatched in all other premium Scotch.

Try the taste beyond premium Scotch.

The Glenlivet
Unchanged since 1824.

e shining symbol of the new Detroit is hav- some of old Detroit's troubles. Henry Ford y have been the spearhead, but Ford Motor just blunted the thrust.

Rencen still for rent

350 MILLION Renaissance Center—eaming river-front office-hotel-en-nment-shopping complex that is sed to symbolize good things about w Detroit"—is feeling pains symptomatic of the troubles the city and its carmakers are suffering these days. The center just got word that Ford Motor Co., its major investor and booster, is backing out of a lease to occupy one of two new 21-story office towers in the development's Phase II, begun last September.

Ford was going to use the new building to house some 1,500 people in its parts and service division who used to work in suburban Dearborn. After having laid off 6,100 salaried workers in April, the company has plenty of space at headquarters and surely does not need more. So Ford needs to find somebody else to sublet the space. But the way things have been going lately in Detroit in general—unemployment is now at 13% and rising—and at the Renaissance Center in particular, finding a tenant won't be easy.

The four original 39-story office towers are 95% occupied, claims J. Robert Anderson, president of Ford Motor Land Development Corp. And that's after a prolonged high-pressure drive to rent them. But only 63% of the 340,000 square feet of retail facilities is rented. And the Detroit Plaza Hotel, a 70-story, 1,400-room establishment, often has acres of vacant rooms, though the Republican convention will give the hotel and the area a nice boost this summer.

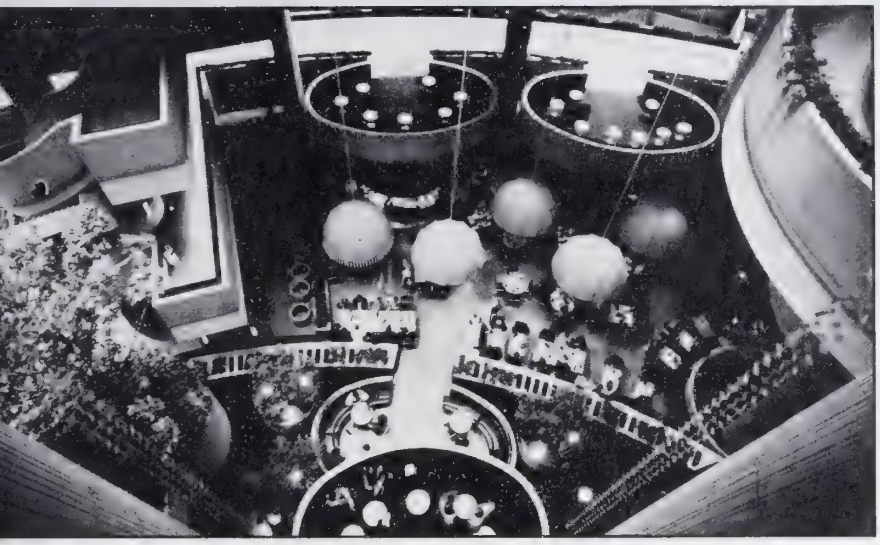
Ironically, in view of Ford's second thoughts, it was Henry Ford II whose personal efforts to promote the project became a symbol of the determination of the city fathers to make the Renaissance Center the beginning of a turnaround for Detroit's waning downtown. Recently Ford summed up the project's failings as a "mixed bag." Anderson put it more bluntly: "It's not profitable yet." (Ford Motor put up $100 million and became managing partner with 50 other Detroit companies that kicked in $6 million to $10 million apiece.)

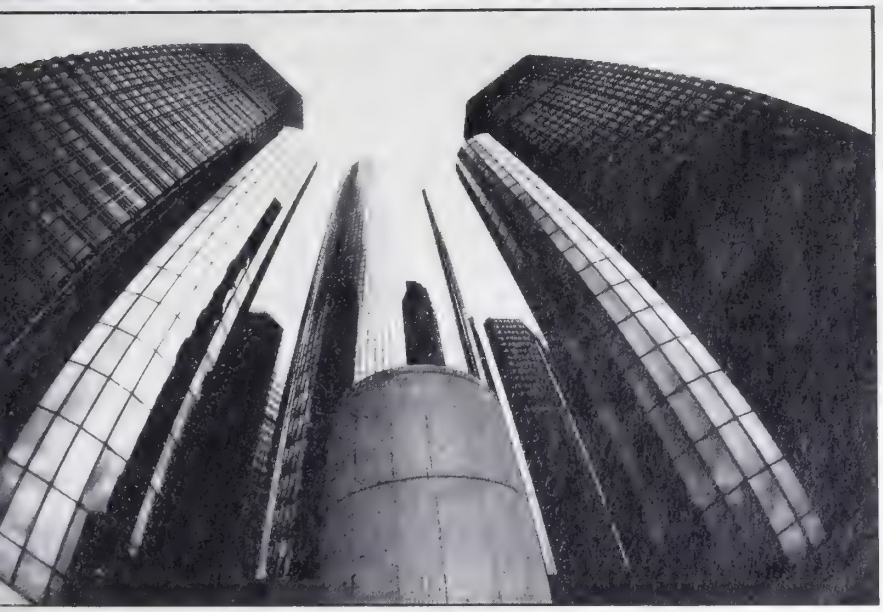
Moreover, says Anderson, rentals—at $18 a foot for the new space, $14 for the original space—have fallen far short of covering the $100 million in construction cost overruns it took to build Rencen—as the natives call it. That's why Ford Land last month tried to get a freeze on its city taxes ($5.9 million a year for the Phase I buildings). Anderson complains that these taxes make it tough to compete with lower-cost suburban developments. Says he, "We think we're still paying too much."

Another problem has been Rencen's failure to get the city's top department store chain, J.L. Hudson, to come into the project. Instead, Hudson's is considering a move into another downtown development, the nearby Cadillac Mall.

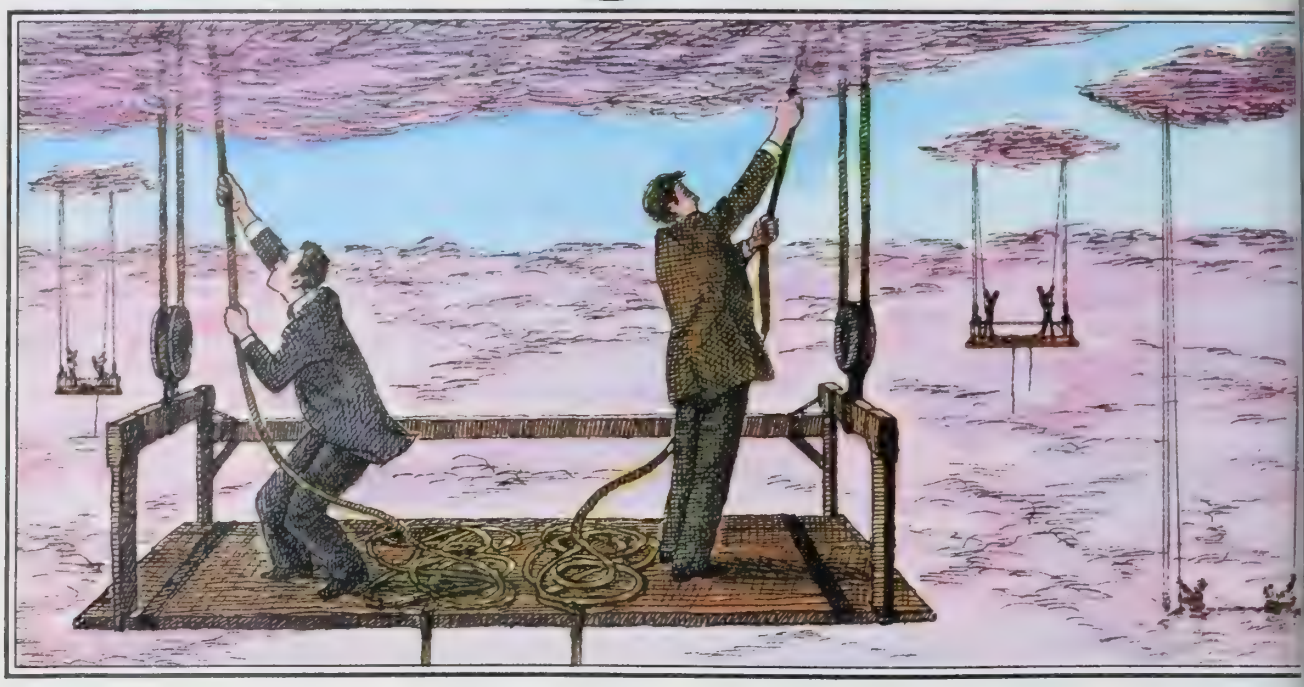
The new buildings are scheduled for completion in 1981. But Anderson thinks the project can work even with the Ford pullout. He notes that there is virtually no other downtown commercial construction going on now, so when other prospective tenants start looking for downtown office space, the Detroit Renaissance Center, he says, "will be the only game in town." Slim consolation.—*Bob Tamarkin*

n (top) *of the Detroit Plaza Hotel, flanked by the Renaissance Center Towers* (bottom) ***otel and four office towers will be joined by two more towers next year.***





Growing Interest i



With financial pressures tending to restrict expansion of employer-paid benefits, many companies are giving their employees an opportunity to buy supplemental coverages at a savings through elective plans.

A brief review by INA of an insurance topic of interest to business executives.

Amid widespread expectations that some degree of inflation will persist indefinitely, many companies have become concerned about the effects on their employee benefit plans and the protection those plans provide to individuals and their families.

Paid benefits are already a major expense for U.S. employers. The cost of providing benefits reached an estimated $60 billion in 1979, representing 35% to 40% of total wages and salaries. Automatic benefit increases based on cost-of-living adjustments are frequently an issue in collective bargaining. But at the same time, current federal guidelines for increases in employee compensation discourage new benefit outlays, since any additional benefits reduce possible wage increases.

One way companies are responding to employees' needs, however, is through supplemental benefit plans developed by insurance companies for group distribution on a voluntary, wholly employee-paid basis.

Savings all around

Voluntary plans can represent a substantial cost savings to the employee, compared with individual purchase. This is because the insurer's sales and administrativ expenses are lower for these grou distribution plans. It is also due t the savings resulting from the convenient payroll deductions an other administrative work handle by the employer.

The voluntary benefits receiving most emphasis today includ life insurance and insurance agains accidental death and dismember ment, as well as long-term illnes and injury. Personal thrift plans ar also growing in popularity.

In each case, the compan sponsors the plan, calling attention to it through employee communications and making it available to all eligible employees during special enrollment periods.

Updating protection

Since living costs have rise more than 80% since 1970, ove $18,000 of life insurance is required today to provide protectio equal to a $10,000 policy purchased ten years ago. This is a major motivation for employee purchase of low-cost life insurance,

Voluntary Benefits

both term and permanent, above and beyond the level of basic life protection provided and paid for by many employers.

Permanent insurance, the most common form of voluntary life, features a steady increase in paid-up insurance and in cash values, which after retirement can provide an employee with paid-up lifetime protection.

Voluntary term insurance, on the other hand, owes its growing attractiveness to its reduced rates, particularly for the lower age groups whose need for life protection is usually greatest. Premiums remain level over 5-year age brackets, for example from age 25 through 29 and 30 through 34, and are fixed for each employee regardless of how many other employees sign up. The benefits payable generally range from $10,000 to $50,000, with some plans going beyond $100,000.

Additional security

Closely related is a voluntary plan providing income in the event of long-term illness or injury. This plan is intended to be supplementary to basic company-paid salary continuance plans which provide income during the first months of disability. Many long-term disability plans are paid for entirely by the employee; in some companies, however, employer and employee share the costs.

The most widespread voluntary benefit of all protects against accidental death or permanent and total disability due to any kind of accident, on the job or off. The choice of benefit levels usually ranges from $10,000 to $300,000, in addition to any benefits payable by any other insurance. Payroll deductions – a typical cost is $5 a month for $100,000 protection – are low enough to be affordable by practically all employees.

A qualified thrift plan commonly offers employees a choice of investing in equity funds or in a fixed-income vehicle with the advantage of deferring federal income tax until withdrawal.

The fixed-income option is often provided by a group annuity contract which guarantees the principal and annually credits competitive interest accumulation. While an employer contribution is required in a thrift plan, a plan with no employer contribution may obtain the same advantage of tax deferral to employee participants if only the group annuity contract is used as a vehicle.

Voluntary insurance plans of the kind described here are written by Life Insurance Company of North America and by INA Life Insurance Company of New York, two of the INA companies.

Comprehensive services for business

Recognizing and meeting complex needs, such as those of employers and employees for voluntary benefits, typifies INA's comprehensive approach to increasingly sophisticated business insurance and risk management problems.

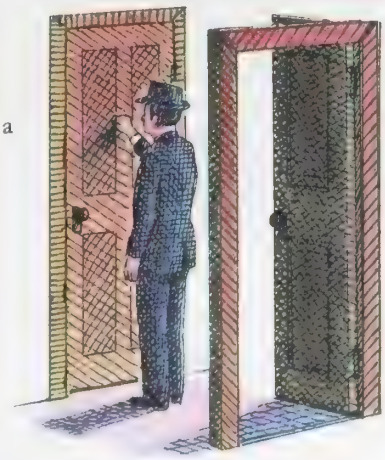
The Insurance Company of North America was founded in 1792 in Independence Hall, Philadelphia. Today it is the largest component of INA Corporation's international network of insurance, financial, and health care interests. In property and casualty insurance and risk management services, life and group insurance, health care management and financial services, INA and its affiliated companies offer a unique combination of products and services to business and industry worldwide.

For an informative booklet on voluntary employee benefits, write INA, Dept. R, 1600 Arch Street, Philadelphia, PA 19101.

INA
The Professionals

portunity knocks again

elatively few homes have been visited by a
surance salesman in the last ten years,
ntrast with a generation ago when door-
or solicitations were routine.
s a result, many families don't have all
fe insurance they might need.
presentation of voluntary group life at
oyer-sponsored meetings may be the
ace-to-face explanation of life insurance
employees have ever experienced.



TWA introduces Ambassador Class℠ to Europe.

The number one airline to Europe takes care of you, while you take care of business.

If you're an experienced business traveler, TWA's new Ambassador Class should be a welcome experience. Because we've designed it just for you.

On all nonstop 747's and L-1011's.

TWA's new Ambassador Class to Europe is available on all of our big, roomy 747's and L-1011's—the widebodies people prefer most—to any TWA city in Europe.

Special Ambassador Class check-in makes checking in easier.

Special amenities include freshen-up pack and slipper socks.

Added extras and extra service.

With Ambassador Class you get your own check-in area, which makes checking in and boarding easier. And only TWA offers Round-Trip Check-In℠ to London, so on your way home just drop off your bag and go straight to your flight. You'll also get a special cabin area, and an empty seat next to you when possible.

In addition, you'll receive free drinks, complimentary newspapers, headsets, appetizers, and a meal served in a first class way.

So next time you take off for London, Paris, Frankfurt, or any TWA city in Europe, take off on the number one airline to Europe. And take off with Ambassador Class. We'll take care of you, while you take care of business.

You're going to like us

TWA

Faces
ehind The Figures

Edited by Robert J. Flaherty

aking the gloves off

he was a full-time banker boss, Rockefeller, who will turn 65 on 2, was extremely circumspect. But we interviewed him in late May he laxed and ready to speak his mind hat he's no longer CEO of Chase attan and only a year from retire- as chairman. What's on his mind? s. The state of the world. He made nes about how discouraged he is immy Carter's performance. Inex- ce is no great sin. Failing to learn it *is*. Of Carter, Rockefeller said: ist hasn't learned."

t this partisan? Isn't Rockefeller, ll, a Republican? He is, but he isn't lly given to criticizing the Presi- of the U.S. "I can remember," he 'the last time I did it. I told Lyndon on his guns-and-butter policy dur- e Vietnam War just wouldn't work. ver forgave me for that."

kefeller sympathizes with the deli- osition in which Federal Reserve man Paul A. Volcker finds himself. n that the Fed was alone in taking steps to deal with inflation, it is surprising that we have this deep, esome recession now. Volcker is g no supportive fiscal policy from dministration or Congress. It's like ng the brakes to only one wheel of ding car. You'll slow the car but sk turning it over."

Carter's foreign policy: "It is not h for leaders to exhort the populace pport of a policy. They must also n its rationale. For a policy to be ncing, it must have consistent ob- es and a global pattern of imple- tion. The present Administration ten fallen short."

sees an apparent lack of consisten- Carter's worst problem. "On the and we must certainly recognize e have vital interests in the world. en we have also indicated that a objective of foreign policy was to te human rights. Another objec- as to limit nuclear proliferation. In pplication of these objectives it to me we've been inconsistent e've irritated and estranged many friends. In many cases we have oo soft on our adversaries."

kefeller doesn't blame Europe and for not going along fully with a U.S. t for sanctions against Iran over estion of the U.S. hostages. "Their fear is that we may ask them to go along on a policy and then may very well change our policy ourselves, therefore leaving them out on a limb.

"We asked them, for instance, to go along on the neutron bomb and then we changed our mind and decided not to pursue it ourselves."

Turning to banking and international finance, Rockefeller sees glimmers of hope in dealing with the huge surpluses piling up in the Organization of Petroleum Exporting Countries. He says that because OPEC members are beginning to take over some of the marketing functions formerly performed by the big international oil companies, the OPEC members themselves are having to grant more credit to the poorer countries rather than leaving the job totally to the banks. But he also points out that the OPEC surpluses won't just go away. Plans must be laid for dealing with recycling well into the 1980s.

Rockefeller of Chase Manhattan
Carter's sin is not learning.

Assuming the Republicans win in November, would Rockefeller take a job in the new Administration? Sitting on a comfortable white couch, he twirls his glasses briefly before replying and gazes out from his 17th-floor office in downtown Manhattan. "That is speculation I would rather defer until after the elections." Rockefeller reminds the interviewer that he has been a strong supporter of George Bush. "I am not looking for a job," he concludes.—*Ben Weberman*

Full steam ahead

President Dorman L. Commons of San Francisco-based Natomas Co. wants his energy company to own all of Magma Power, the world's largest geothermal steam company that's still independent. Last year Magma earned $5.9 million on sales of $15 million. Natomas already owns 7.5% of Magma, but that is not enough, because Dow Chemical owns 7% of the company and Union Oil owns another 9.5%.

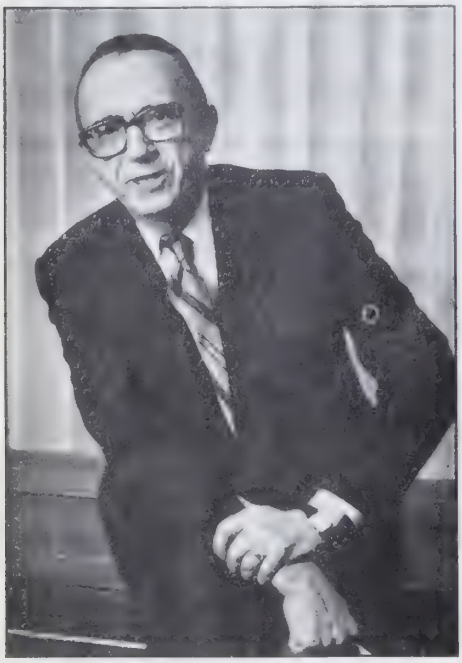
In 1974 Commons beat Union Oil in a battle for another geothermal company, Thermal Power. Commons bid $40 million, a fat 27 times Thermal's $1.5 million earnings. Thermal did well for Natomas, however, accounting for $9 million of Natomas' profits on a mere $14 million of its sales in 1979. As the price of oil quadrupled, the rates for steam-generated electricity more than quadrupled for Thermal's 25% share of northern California's huge geothermal project, The Geysers. "Don't give me too much credit," says Commons. "We figured on a maximum electricity price of half what it is now."

If a bidding war for Magma starts, Natomas will have to pay to bid even higher than for Thermal because Magma's price/earnings ratio recently topped 36, but Magma's earnings are worth more to Natomas than they might be to most other companies. Like Thermal, Magma holds a 25% share of The Geysers. Tax credit from Natomas' Indonesian oil operations would in effect turn Magma's pretax profits into aftertax Natomas profits.

The trim, 62-year-old alumnus of Occidental Petroleum is emulating Armand Hammer's diversification from Libyan oil by diversifying Natomas out of Indonesian oil. With Pacific Gas & Electric planning another six or seven 110-megawatt plants to use steam power from The Geysers, Commons figures if he can get Magma he can quadruple Natomas' $9 million in 1979 geothermal profits even before the inevitable rate hikes.—*Alyssa A. Lappen*

Commons of Natomas
A new bidding war ahead?

Faces
Behind The Figures



Bliss of Harris Bankcorp
A pause that depresses.

Playing it safe isn't safe anymore

"We don't intend to be at the cutting edge of every new thought that comes down the pike," smiled Charles M. Bliss, chief executive and, as of July 1, chairman of Chicago's Harris Bankcorp. Obviously, Bliss likes to avoid risk, a philosophy that just might explode in his face this year.

While Harris hasn't made dire headlines like its competitor First Chicago, the Gray Lady of LaSalle Street has been anything but problem-free up to now. In 1977, the year he catapulted from executive vice president to become president at $163,943 a year, Harris' six-year record of uninterrupted earnings gains came to a sudden halt, when income after securities transactions plunged 12%. Overall earnings at Chicago's third-largest bank have gone nowhere since.

Bliss' philosophy is shared by many bankers, and it accounts for much of the industry's problems. In a word, far too many bankers still refuse to recognize one inescapable fact: In today's high-interest-rate environment, playing it safe is just not safe anymore.

Indeed, in times of economic uncertainty the traditional banking strategy has been to stock up on governments and other securities until things settle down. Under Bliss, Harris did just that. The result is an excess of fixed-rate assets that now cost more to keep on the books than they earn. Harris has also been very slow to switch from fixed-rate lending to floating rates. Consequently, its $1.8 billion fixed-rate loan portfolio—much of which is under water—exceeds its $1.5 billion in floating rate credits by $300 million. "Right now our emphasis is to reduce fixed-rate loans and stress variable rates," says Bliss, settling back into a well-worn wing chair in his antique-filled office. Unfortunately, it may be too late to salvage 1980 earnings.

What may save Harris and other institutions loaded with fixed-rate paper—such as First Pennsylvania and First Chicago—is the recent sharp decline in interest rates. According to C. Edward McConnell, an analyst with Keefe, Bruyette & Woods: "Harris' earnings could be down 10% for the year. In retrospect, what they should have done was sell more securities from their investment portfolio." Concedes Bliss: "We bought some securities that I wish we hadn't bought."

"You know," muses analyst McConnell, "when you thought of First Chicago, Bob Abboud came to mind. When you think of Citicorp you think of Walter Wriston. But when you think of Harris, no one comes to mind."—*Lisa Gross*

The 8% solution

While American labor unions are demanding, and often winning, inflationary wage increases, Japanese unions this year are demanding increases of only 8% at a time when inflation in Japan is expected to run at 10%. Yet Japanese companies are showing record sales and big productivity gains.

Why so cooperative? Listen to Tadanobu Usami, 55, recently elected chairman of Domei, a 1.8 million-member blue- and white-collar union. "Our purpose is to gain steady improvement in our living standard," Usami explains, "not a nominal wage increase. To protect our members' livings, we have to attack inflation."

In Japan, a labor union is formed by both blue-collar and white-collar workers within a particular company. Then these "company unions" unite within a given industry. With lifetime company employment standard for a Japanese worker, the prosperity of his company is more important to him than it is to American workers, who are more mobile.

After serving in a suicide unit in World War II, Usami became a union leader but didn't carry the kamikaze spirit into wage bargaining. He was one of the earliest advocates of moderate wage hikes. Even the more radical Japanese unions came to agree with Usami's moderate attitude after stagflation set into the Japanese economy in 1974, following an unprecedented 26% wage hike.

Union inflation fighting doesn't the contract table. Because Japan source-poor, both labor and manag have focused on achieving produc gains to improve economic growth boxes hang on many factory and walls, and company presidents oft ward authors for good ideas. Labo ductivity in Japan has risen ever since 1945, except in 1974-75, ou ping nominal wage increases, and r Japan's standard of living to new he What American labor sourly reje "giveups," the Japanese often acc productivity improvements.

But Japanese labor isn't entirely c It is demanding that companies ad retirement age to 60 from 55, sh working hours and increase job op nities. But the point is: They are w to help make them possible by in ing output per man-hour and h down wage costs.—*Atsuko Chiba*

Usami of Domei
Wage bargaining isn't war.

Bargain basement

First-quarter earnings this year at M Controls Corp., the Evanston, Ill.-b maker of controls and valves for en related uses, were 49 cents a share 345% from last year. For the full yea sales of around $275 million, net sh be $2 per share, up 26% from last ye great showing? Not when you re that 1980 will be down 44% from $2.85 record set in 1976.

This kind of ragged earnings pe mance is part of the method that Ga MacDougal, Mark's 43-year-old cl man, has evolved for his fast-grov enterprise. Scorning well-run, profit acquisition candidates, MacDougal

HOW TO MAKE YOUR MARK IN MUNICH.

RMANY, FED. REP.	**49**
chen	241
gsburg	821
lin	30
lefeld	521
chum	234
nn	2221
trop	2041
unschweig	531
men	421
merhaven	471
ogne	221
rmstadt	6151
tmund	231
sburg	203
sseldorf	211
en	201
nkfurt	611
iburg	761
senkirchen	209
tingen	551
gen	2331
mburg	40
nnover	511
denheim (Brenz)	7321
rne	2323
lsruhe	721
ssel	561
l	431
blenz	261
feld	2151
beck	451
inz	6131
nnheim	621
nchengladbach	2161
lheim Ad Ruhr	208
nich	89
nster	251
uss	2101
remberg	911
erhausen	208
enbach Main	611
enburg (Holstein)	4361
enburg (Oldb.)	441
nabruck	541
cklinghausen	2361
gensburg	941
mscheid	2191
rbrucken	681
zgitter	5341
ngen	2122
ttgart	711
er	651
esbaden	6121
helmshaven	4421
ppertal	202
ITZERLAND	**41**
rau	64
den	56
sel	61
rne	31
l	28
vos	83
bourg	37
neva	22
erlaken	36
Chaux-de-Fonds	39
usanne	21
cerne	41
gano	91
ntreux	21
uchatel	38
Gallen	71
Moritz	82
othurn	65
nterthur	52
rich	1
STRIA	**43**
den bei Wien	2252
denz	5552
nz	316
sbruck	5222
zbuhel	5356
genfurt	4222
ms an der Donau	2732
z	732
unkirchen	2635
zburg	6222
Polten	2742
nna	222
ach	4242
ls	7242
ener Neustadt	2622

KEEP THESE CODES HANDY

DIAL DIRECT

Want to hear money talk? Pick up the phone. It's the only instant way to get the whole story—right from the source. If your area has International Dialing, you could be in Munich, eins, zwei, drei! Just dial:

INTERNATIONAL ACCESS CODE	COUNTRY CODE	CITY CODE	
011 +	49 +	89 +	LOCAL NUMBER

Dialing yourself means you can do business for $6.00 for a 3-minute call. That's starting with a bargain. Save the handy codes for your next call.

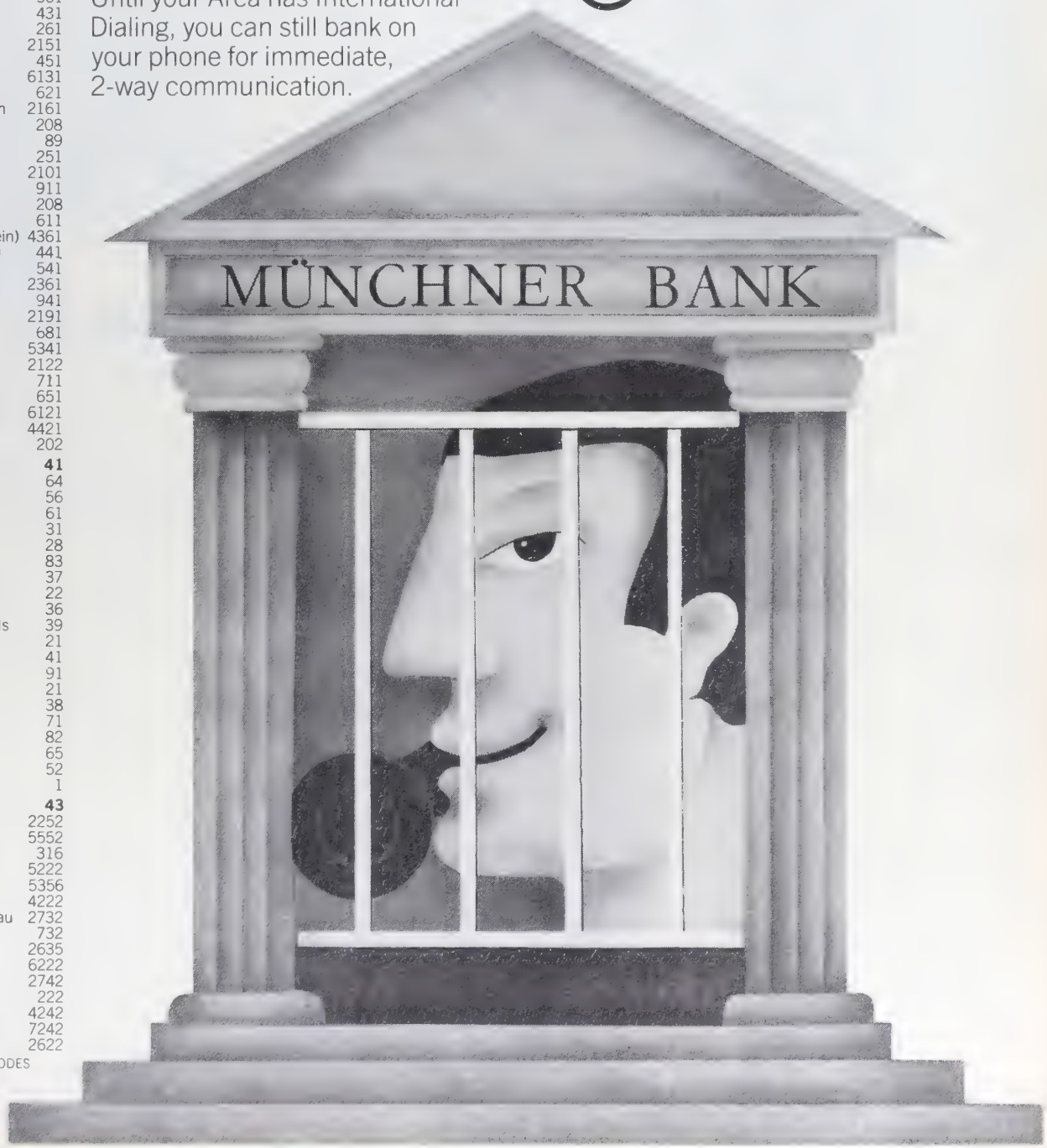
ALMOST DIRECT

Until your Area has International Dialing, you can still bank on your phone for immediate, 2-way communication.

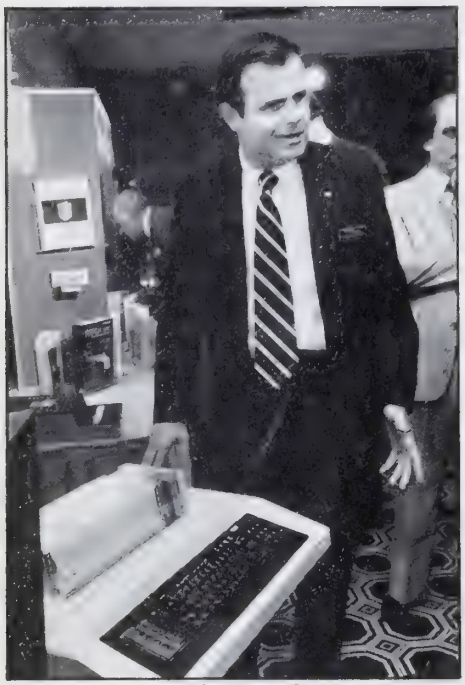
Just tell the Operator the country, city name and local number you want. On Station calls not requiring special operator assistance, you get the same low rate as dialing direct. It's a real buy!

P.S. Nearly everyone can dial direct to most telephones in Canada, the Caribbean, Alaska, Hawaii and parts of Mexico—just as you dial direct to cities inside the continental U.S.

Bell System



Faces
Behind The Figures



MacDougal of Mark Controls
A taste for trouble.

he wants Mark to grow by buying outfits bigger than itself, where earnings are low because of bad management and the companies can be had for less than book value. Of course, that means there will be earnings dips while the acquisitions are absorbed and turned around.

"Twice we bought companies larger than we were and fixed them up," he says. He also prides himself on having an old car he drives himself and renting a headquarters office that looks out on huge Mobil gas station signs.

MacDougal makes few deals, but they tend to be major ones. In 1971 he bet his entire company on his ability to turn around an acquisition, Pacific Valves. He almost didn't make it. A serious inventory overvaluation showed up that put Mark Controls into the red. Its stock dropped 70%. But by 1976 a specialty-valve shortage generated 11% aftertax profits and turned the unit around.

In 1977 MacDougal paid $32 million—$5 million below book—for Powers Regulator Co., which had profits of a mere $1.6 million on sales of $121 million, in computerized building controls.

To catch up technologically with building-controls leader Honeywell, MacDougal hired a McKinsey & Co. computer expert who had consulted to Honeywell. He knew what Powers had to do to modernize its products. MacDougal himself spent six years as a merger-and-acquisition consultant at McKinsey after earning engineering and M.B.A. degrees. He attracted backing from New Court Securities, the American venture-capital arm of the Rothschilds, and in 1969, with almost no outlay of his own, bought control of Clayton Mark & Co., a $15 million outfit that became the core of Mark Controls.

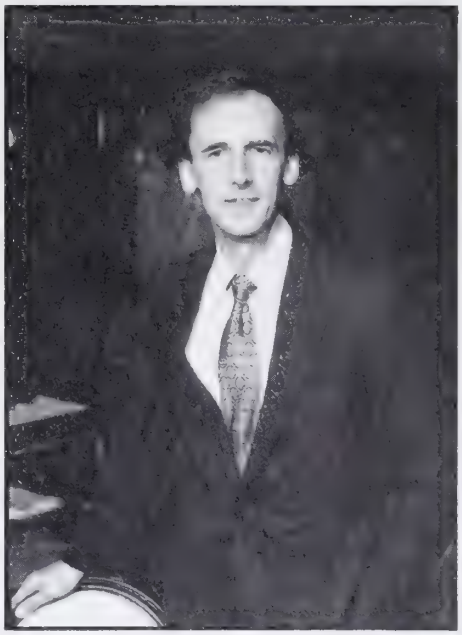
When today's turnaround is complete, MacDougal claims, his margins will double; so will earnings, to over $4 per share. Until that happens, he'll make no more large acquisitions. Then he'll look for something else to fix up.

Gentlemen enforcers

Nicholas Goodison, lanky chairman of the London Stock Exchange, was touring the Securities & Exchange Commission a few years ago when one of Stanley Sporkin's enforcers asked him why Britain seemed to have so many fewer crooks than the U.S. "Before I could answer," Goodison recalls, "my guide spoke up. 'Because,' he said, 'over there, they're *gentlemen*.' "

Maybe. More likely it's because there's not as much securities law to run afoul of. Like the New York Stock Exchange 50 years ago, Britain's securities industry is still largely self-regulated through the London Exchange, a responsibility that does not bar Goodison from running his own firm, Quilter Hilton Goodison & Co. "In the U.S., if you're concerned about the propriety of something, you bring in a lawyer," he says. "In Britain, you simply ring up the exchange and one of my chaps says, 'It's not the sort of thing one does.' "

Interviewed in New York recently, Goodison was all smiles. With Prime Minister Margaret Thatcher dismantling socialism and North Sea oil flowing dison thinks the long-absent publi return to the British stock market. 30 or 40 years of depressing decli individual investors, I think we've t the corner," he says. "What will be esting over the next few years is wh or not Britain in fact will become th wonder of Europe. If our currency re strong, I think the chances are high."—*Jefferson Grigsby*



Goodison of the London Stock Exchange
If in doubt, ring up his chaps.

Lord Kaldor of Cambridge University
"You people are absolutely crazy.

Terrific idea

Lord Nicholas Kaldor, a Hungarian economist who was an adviser to P Minister Harold Wilson, helped d the Labour party policies that got Br into her present mess. For this he made a life peer. Now Kaldor has a tion for Britain's *current* problems would throw up high tariff walls ar the sceptered isle and thus streng demand for home products. He do say what would happen to Britain' ports if she did that, but presumably er nations would continue to ac them as a means of showing they proved of socialism.

Now 72, a retired Cambridge Univ ty economics professor and self claimed disciple of Keynes, Kaldor fers the same advice to the U.S.: "A ica also has become inefficient. If an there had brains they would slap on port controls. You people are absolu crazy."

Not surprisingly, Kaldor doesn't m care for the present British governm Of its free enterprise, free trade poli he says, "with no import controls, British economy will bleed itsel death."—*Elizabeth Bailey*

How Cessna Citations® became the world's best selling business jets

The Citation was a success from the very beginning. It utsold all other business jets hen we began deliveries in 972. Today, just eight years ater, Cessna is firmly estab-shed as the leader. In 1979, 5 percent of all jets delivered n the *world* were Citations.

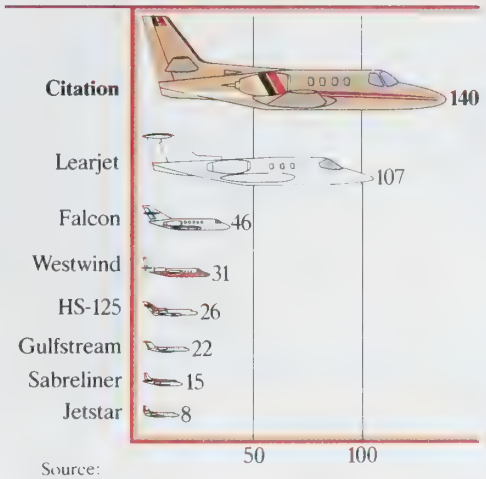
The sensible Citations

Citation jets have always njoyed a reputation as the sensible" businessman's plane. Our practical approach to aero-ynamic design, combined vith fanjet engines, has proved nem to be exceptionally fuel fficient.

Citation's sensible design had ther benefits, as well. Docile ight characteristics and a imple control system meant Citations could operate out of *undreds* of short airfields thers couldn't approach. And ong before strict airport noise mits, the quiet Citations were ccepted as "good neighbors."

Citations also have the finest safety record of all business jets. There are now over 700 Citation I's and II's flying around the world, with over *one-million* hours logged in the books. In September of last year, we accepted the order for our *1,000th* Citation.

1979 Deliveries Worldwide



Source: *Weekly of Business Aviation*, Jan. 14, 1980, unit shipments.

Business aviation specialists

Cessna's commitment to business aircraft is by far the strongest in the industry. We have built over 155,000 airplanes, including 22,000 twins, and our multiengine plant in Wichita is the largest of its kind in the world.

Our Citation III is the *first and only* all-new business jet to be introduced since we began deliveries of the original Citation in 1972. It represents over $150-million in R&D and tooling alone.

Cessna is also the only business jet manufacturer to maintain a network of factory-owned service centers. We will have *five* of these multimillion dollar facilities, with the completion of our new center in Toledo this year.

New Citations are sold only factory direct. Call our special hotline, (316) 946-6056, or write J. Derek Vaughan, Senior Vice President, Dept. FB6, Citation Marketing Division, Cessna Aircraft Company, Box 7706, Wichita, Kansas 67277.

cessna/citation

When America gathers to celebrate its
birthday, one thing's certain—the all-Amer
hot dog is sure to be on the grill.

And the name "Armour" is sure to be c
of those hot dogs. This year, Greyhound's A
Division will sell over 850 million hot dogs, n
mention a few hundred million cold cuts an
nation's best-tasting ham.

The Greyhound family serves America
families in a lot of different ways ... and in a s
spangled manner.

Greyhound serves our transportation n

We're as basic to America

und is number one in intercity
rtation, carrying over 56 million people to
000 places each year. And we build and
e buses than any other manufacturer.
eyhound serves our personal needs. Our
nd is the nation's best-selling deodorant
d a leading name in shampoo and
pirants as well. And Greyhound Food
feeds thousands of people daily under
s with everybody from the Air Force at
d to the work force at General Motors.
d Greyhound serves our corporate needs.

As a leader in capital equipment and computer leasing, Greyhound leases everything from trains to the railroads to jumbo jets to the airlines.

Plus, Greyhound rents cars, writes insurance, fuels aircraft, builds display booths and generally does everything from hosting Las Vegas conventions to spinning the yarn for Grandma's shawl.

In short, Greyhound isn't just "the bus company" anymore; it's "the omnibus company"—an almost $5 billion, diversified corporation serving America in a hundred basic ways.

e 4th of July.

Greyhound Corporation *The omnibus company.*

LIFE IS FILLED WITH COMPROMISES. A $30,000 CAR SHOULDN'T BE.

In these times of performance-sapping anti-pollution laws, fuel requirements and safety regulations, it is becoming increasingly difficult to build cars that are still worth driving.

Certain observers, given to dark prophecies, have even gone so far as to predict a generation of fatally uninspired, irrevocably compromised automobiles.

Expensive luxury sedans that, in the somewhat colorful prose of Car and Driver magazine, "...ride like pillows when you cruise them and squeal like pigs when you push them."

A dour prediction indeed. But fortunately one that does not take into consideration the inventive genius and the obsessive determination of the engineers at BMW in Munich, Germany to build extraordinary automobiles.

Against all odds, the BMW 733i not only meets the critical demands of society, it does so without ever once violating our conviction that extraordinary performance is the only rational justification for owning an expensive car.

PERFORMANCE AND EFFICIENCY CAN COEXIST UNDER THE SAME HOOD.

In a very real sense, the BMW 733i is a seemingly incongruous combination of qualities many automakers insist are mutually exclusive.

While the 733i is the largest BMW sedan, its size in no way hampers its uncanny agility, its responsiveness to the driver, or its singular capacity for removing the drama from even the most hair-raising road conditions.

Indeed, its suspension system—independent on all four wheels—has been described by Car and Driver magazine as "...the single most significant breakthrough in front suspension design in this decade."

Press the accelerator and the 733i's fuel-injected, 3.2-liter, overhead cam engine responds in a manner that would be exhilarating—even by pre-pollution control standards.

Yet, the 733i (with standard transmission) delivers 16 EPA estimated mpg, 23 estimated highway mileage and, based on these figures, an estimated mpg range of 360 miles and a highway range of 518 miles.

(Naturally, our fuel efficiency figures are for comparison purposes only. Your actual mileage and range may vary, depending on speed, weather and trip length. Your actual highway mileage and highway range will most likely be lower.)

And, when you slide behind the wheel of the BMW 733i, you will notice an object just to your right that should give you considerable insight into the somewhat divergent philosophy of BMW. It's called a manual transmission.

Unaccountably, the 733i is the only "luxury sport sedan" in its price class to provide one as standard equipment. (Automatic is, of course, available.)

LUXURY NEEDN'T BE SYNONYMOUS WITH SUPERFLUOUS.

It's difficult to imagine an appointment, a convenience or an accessory that has been omitted in the BMW 733i.

AM/FM stereo cassette, electric sunroof, electric windows, electric rearview mirror—even a central-locking system that locks all four doors, the trunk lid and the gas door with the turn of a single key—are all standard equipment.

Yet, all facets have been biomechanically engineered to the nth degree to help eliminate driver fatigue.

Its seats are anatomically shaped buckets, covered in wide rolls of supple leather. Its front seats are so thoroughly adjustable that it is all but impossible not to find a comfortable driving position.

All vital controls are within easy reach. The tachometer, speedometer and ancillary instruments are large, well-marked and totally visible—set in a dashboard that sweeps out to meet the driver.

"If you've driven any BMW in the last ten model years," writes one automotive journalist, "lean back, close your eyes and imagine that car honed and polished to the limit of human finesse. That would be the 733i..."

If you find the notion of owning such a car more than a little intriguing, we suggest you phone your nearest BMW dealer and arrange a thorough test drive.

THE ULTIMATE DRIVING MACHINE.

BMW MUNICH · GERMANY

nest Gelles survived fascism and World War After that, staying alive in a rough business me almost as second nature to him.

One of the survivors

The Up-And-Comers

IDING THROUGH the winding streets in the aging industrial section of Paterson, N.J., one could e that all the pessimistic predic- about American industry have true. Factory after factory looks -date, inefficient, dirty. Ancient ad tracks run alongside many s, breaking up all the side streets. g right in with the decrepit condi- of the area, a few blocks from the s, are the offices and factory of $13 n (revenues) Kaysam, a manufac- of waterproof boots, weather bal- and doll parts. Approaching the plant, you get a whiff of chemicals. On the side of the faded factory, almost hidden, is a door starkly marked "office."

Appearances, however, are deceiving. Kaysam has figures that would make many a computer firm, all shiny and glittering with glass and steel, envious. Five-year compound growth: about 25%. Return on equity for 1979: 34%. Those figures are made all the more startling by an amazingly low price/earnings ratio of 3 on an over-the-counter stock.

Tucked away in the corner of Kaysam's headquarters is the workplace of the firm's president, Ernest Gelles. Sitting in a small office reminiscent of a fixed-up rumpus room, Gelles looks and talks like somebody's uncle who owns a candy store and gives all the kids free jawbreakers on their birthdays.

But Gelles, 66, isn't what he seems either, one quickly discovers. "I had been an officer in the Italian army," he says. "But when Mussolini started imitating Hitler, the first thing he said was that Jews couldn't be in the army. I got the hint and left. Shortly after arriving in this country, I was drafted and later assigned to military intelligence because of my background as an Italian officer.

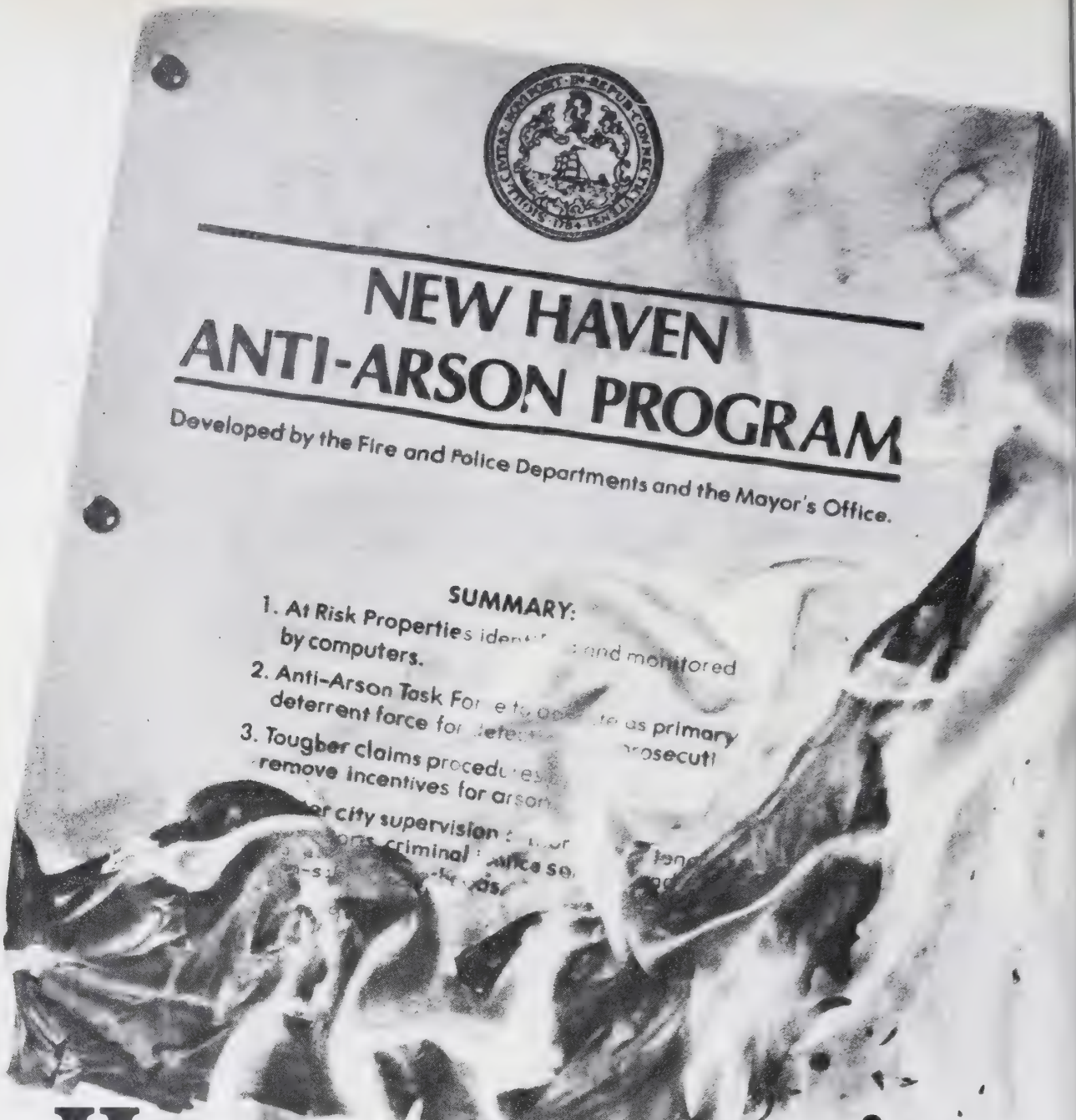
"I rose to the rank of captain in intelligence and during the occupation I went back to Italy and became like a financial provincial governor. When I met some of my former colleagues who remembered me in an Italian officer's uniform, they would say, 'No, that couldn't be him.' Then they would look again and say, 'It's him, it's him!' " He laughs heartily.

Gelles, a portly man, is given to such bursts of mirth, but don't be misled: He's one sharp cookie. By war's end he was on General Eisenhower's staff. Along the way he became friends with Allan Ryan, grandson of Thomas Fortune Ryan, the New York streetcar king and an organizer of American Tobacco Co.

The Ryan clan had a fledgling venture: Kaysam, a manufacturer of squeeze toys— rubber duckies and red elephants that squeak when you squeeze them. The toys were manufactured by a process bought from a British inventor, Sam Kay (hence Kaysam). Ryan invited Gelles to

n's Ernest Gelles and a weather balloon

ble product line that explodes, a down-to-earth business that's always up in the air.



How many arsonists in your city don't want you to read this?

Arsonists would like you to go on thinking there's "nothing you can do to stop them." Because when people start doing something the results are inspiring.

In New Haven, Connecticut—a city where suspicious fires increased by over 400% between 1973 and 1976—a new anti-arson program is already paying off.[1] A $175,000 arson-for-profit scam was broken up, and the man convicted won't be burning any more buildings where he's going for the next 3-7 years.[2]

New Haven's program also calls for potential arson-for-profit buildings to be identified by computer—a preventive measure to save the inner city of New Haven.

Can your city fight arson as successfully as New Haven? Ætna says you can.

We're developing pilot anti-arson programs, spreading information, and tightening up our own claims procedures.[3]

Ætna also supports fighting fire with legislation. The recent congressional classification of arson as a crime on a level with murder is just a start. The proposed Anti-Arson Act of 1979 goes further...it puts federal law enforcement tools in the hands of state and local governments.[4]

Arson cost over $1-billion and 700 lives in 1977. It's a crime we all have to pay for. Don't underestimate your own influence. Use it, as we are trying to use ours.

Ætna
wants insurance to be affordable.

New Haven is but one exam- of organized anti-arson efforts ving their worth. Seattle, shington has reduced arson 30%; *Tampa, Florida by 47% ust two years!*

New Haven's crack Arson uad is made up of city inves- tors, prosecutors, and the police and fire departments. Cities with divided anti-arson forces all too often fail to detect or convict the culprits.

[3]Ætna is supplying funds to establish two model anti-arson programs: for New Haven ($97,000) and for the California District Attorney's Association ($140,000) to develop manuals for national distribution on how to prosecute arsonists successfully. We've hired John Barracato, one of the nation's foremost arson experts whose credentials include Deputy Chief Fire Marshal of New York City, to coordinate our anti-arson efforts. To learn how you can help your city, write to John Barracato at Ætna Life & Casualty, Hartford, CT 06156.

[4]Connecticut recently passed some of the toughest arson laws in the country, and Ætna is working hard to get such laws in other states. This effort needs the help of every citizen.

a Life & Casualty
Farmington Avenue
tford, CT 06156

Ætna
LIFE & CASUALTY

join the company, and when the war ended Gelles became the firm's controller. Soon he became its CEO—a slot he has filled ever since. Ryan and Gelles brought in yet another World War II comrade; Jean Cattier, born in Brussels and founder of the European American Bank, became the firm's outside director, a position he still holds. An impressive group for a firm that had under $500,000 in sales at the time.

When the war broke out, of course, there was a shortage of natural rubber. Although you can run a war on synthetic rubber, you can't build a good squeeze toy with it. It's too hard. So, the firm searched for another item to make and soon found it: meteorological balloons. These often huge balloons ("you stand next to one, you look like a pygmy," says Gelles) are used to test atmospheric conditions by floating upward, expanding in the lower air pressure of the upper atmosphere, and popping. Attached instruments parachute gently back to the ground with the meteorological data. You can only use a weather balloon once. The Navy, the Army and the Weather Bureau all have regular need of them. So it's a nice steady market.

Weather balloon margins are stratospheric. The balloons are Kaysam's most profitable business by far, with a return of 14%, producing income of $285,000—about a third of the firm's total. Kaysam has a monopoly on the domestic market. There had been one other weather balloon manufacturer, Dewey & Almy Chemical. But that firm was acquired by W.R. Grace, which closed down its balloon operation. "There wasn't room enough for the two of us in that business to both make a profit," says Gelles. "There's hardly room for one."

In marked contrast to Kaysam's monopoly in weather balloons is the company's stake in waterproof footwear—mostly plastic boots. Over the last decade the footwear industry in the U.S. has been in a bloody fight—shoe and boot manufacturers have fallen by the hundreds, gunned down by cheap Korean and Japanese imports. Fortunately, Kaysam has carved out a niche for itself in the small, waterproof end of the business. Kaysam has been aided by tariffs that protect waterproof footwear to a much greater extent than they do most other shoes and boots.

At the moment, Kaysam's footwear division is beginning to benefit from one of the problems besetting the rest of the industry: the high price of leather. "People still have their noses up in the air about leather, but leather boots this year are going to be well over $100 a pair," Gelles explains. "So, we feel that if we have a $20 pair of boots, many people will look and say, 'This looks like the real thing,' and buy them."

That may be true, but it's a mixed blessing. As Kaysam's plastic boots pick up market share in the high-fashion area, there will be greater and greater pressure to change styles each year. That costs money, and brings competition.

The footwear division provides the biggest chunk of Kaysam's sales, $8.2 million, but brings in income of only $285,000. That 3.4% margin might seem kind of lean, but in the footwear industry it's pretty good. One of the industry giants, Brown Group, Inc., almost 90 times as large as Kaysam, did only slightly better than that in 1979, with margins of 3.6%. So much for economies of scale.

The third sector of the business, doll parts, is also highly competitive. Fortunately, Kaysam isn't really in the thick of the battle. Kaysam's Paterson plant simply supplies the arms, legs and torsos used in such big sellers as Kenner's Baby Alive. The doll-part business continues to build, and last year brought in $254,000 on sales of $3.3 million.

He talks about his company like other men talk about their kids, shifting from one difficult child to another. But, say to him, "You sound pessimistic," and he gets a surprised look on his weathered face. You've insulted his children.

Over the years, Kaysam has gone through some very tough times—a fire in 1968 almost killed the little company. But through it all, Gelles has had a firm grip on the key to Kaysam's current success: Squeeze every penny possible out of production costs. That's Gelles' true love, cost-cutting. Gelles walks around his plant—and make no mistake, it's *his* plant—with a paternal smile.

"In this process," he says, pointing, "we used to use conveyers to transport the boots from one operator to another. But if they had problems with one boot, the next boot would pass by, and they spent a lot of time trying to pick up the boots that had passed. So, we went to an accumulation system. I hit upon the idea of using trays—like cafeteria trays—on a roller-skate system. The trays move along, and when someone is finished with one pair, the next tray is waiting for them. That increased efficiency by about 15% by reducing the time spent handling and chasing after the boots."

Two years ago Kaysam tendered for its outstanding stock at $8.75 a share, nearly twice what it was then selling for and near the firm's liquidation price. About 63% of the stock was bought back, and Kaysam put through a stock split on the rest to keep the float respectable. The younger management hung on to their stock, while Gelles and the Ryans sold off much of theirs. Today the Ryans hold about 33% of the stock, manager about 27%; outsiders have the rest. result of all this is that much of voting power moved from the Ryans the old management to the you managers who will take over the after Gelles retires.

While Gelles' three sectors are pro ing excellent earnings, there do seem to be any prospect for what G would call "glamorous" growth. year the firm's sales and earnings even suffer a bit as a result of two ter rary problems: a particularly warm ter last year which will cut into sales this year, and the pressure of tronic games on the doll business.

Acquisitions? With Kaysam's suc in the toughest of businesses, y think it would be a natural to pick some small operations that fit into sam's mold. There are plenty out the medical replacement organs, liquid tainers and on and on.

But Gelles is wary of acquisition the early Seventies Kaysam picked small sneaker manufacturer. Two y ago, in the face of an onslaught of ports, they sold it, using that mone finance most of their stock buyback.

"Yes, we've looked at other acq tions, like bicycle seats and autom visors," he says. "But they're just competitive." That's a surprising ment from a man who has made a tinuing success in the footwear busin

Gelles has set up a three-man race succession to his job but hasn't announ any retirement date and shows no incl tion to do so. He talks about his comp like other men talk about their kids. D ing with the component parts of the fi it sounds as if he is shifting from difficult child to another: Dolls are tem rarily giving way to chips and blips; weather balloon market isn't rising; footwear industry is a jungle. But then, to him, "You sound pessimistic about company," and he gets a surprised, h look on his weathered face. You've insulted his children. He insists:

"We are a very successful survivo businesses where it's difficult to surv I don't see any glamorous growth, there is plenty of room for additio business." No, this is not another T dyne, another Digital Equipment, other Schlumberger, although Kays return on equity ranks with the best them. Kaysam is a finely crafted c cow. It is not a glamour stock and pr ably never will be. But as long as th are dedicated businessmen like Er Gelles around, American industry survive and will provide lots of liv hood. How much money has been sp on how many government programs t fail to produce anything like the 400 more steady jobs Kaysam provides i depressed area—and at no cost to taxpayer?—*Richard Greene*

C&C
COMPUTER AND COMMUNICATIONS

NEC. THE COMPUTER AND COMMUNICATIONS COMPANY

that's the world's #1 supplier of INTELSAT earth stations*

Developing and installing a superior earth station for international satellite communications requires a broad spectrum of expertise. By integrating computer and communications technologies into a powerful whole, NEC has emerged a world leader not only in earth stations but also in other technology-intensive areas that impact and enrich our way of life. This unique blend of capabilities has earned NEC the trust of customers in over 130 countries.

*Source: Survey conducted for the U.S. Department of Commerce published in 1976 and World Telecommunications II published in 1980 by Arthur D. Little, Inc.

NEC
Nippon Electric Co. Ltd
Tokyo, Japan

Even if you arrive with the dawn, your room at Hyatt will be waiting.

When you have an American Express® Assured Reservation℠, Hyatt will hold your room through twilight, through dinner, through the night—even past dawn.

An American Express Assured Reservation means your room reservation is guaranteed even if you arrive much later than you expected—up until check-out time the following day.

Just give the Hyatt operator your American Express Card account number when you call for a reservation. The reservationist can give you all the details.

If you find you won't need your room after all, be sure to cancel your Assured Reservation before 6 p.m. destination time (4 p.m. at resorts) to avoid being billed for the night. Remember to get a cancellation number for your records.

Capture the spirit℠, enter a world of breathtaking atriums, lush greenery, luxurious guest rooms, and gracious service.

It's called A Touch of Hyatt®. And there's nothing quite like it anywhere else in the world.

To make an American Express Assured Reservation℠ at any Hyatt Hotel, call 800-228-9000 or your travel planner. And Capture the spirit℠ Hyatt Hotels. Worldwide.

The American Express® Card. Don't leave home without it.

fits are slowing for catalog showroom s like Service Merchandise, but their ex- sion may still have a long way to go.

Too hot not to cool down

By Thomas Jaffe

HERE'S A LITTLE DARK CLOUD drift- ing over the catalog showroom business these days. It's partly the on affecting all retailing. But it is by-product of the rate at which t new business has been growing So far, it's nothing to worry too about, but it bears watching. The market has, if anything, overreact- t tends to these days.

year Raymond Zimmerman's illion (sales) Service Merchandise Nashville, Tenn., the fastest-grow- mpany in the $9 billion catalog oom industry, was trading over- unter at 19¼. Recently it was at 5 times estimated 1980 earnings. The same goes for the three other big companies that dominate catalog showrooms: $795 million Best Products Co. of Richmond, Va.; $679 million Modern Merchandising Co. of Minnetonka, Minn. and $256 million H.J. Wilson Co. of Baton Rouge, La. Just two years ago all sported multiples as high as 12 or 13; now they are at 5 and 6.

These are companies whose combined earnings per share have increased an average 41% since 1975, nearly double the rate of such merchandisers as K mart and Melville or even the computer industry.

The reason for this growth is that the catalog showroom formula is beautifully simple (FORBES, *Sept. 4, 1978*). Prospects are mailed catalogs that illustrate thousands of items from wedding bands to fly rods (virtually no soft goods) and list suggested retail price versus the cheaper catalog price. Samples are on display at a local showroom, usually a bare-bones space adjacent to a warehouse located in or near a regional shopping mall. There are few salespeople and only one of every product is kept out front. Ordering is do-it-yourself. The purchase is trundled out of the warehouse and brought to the showroom ready to take home in its box. There is hardly any shoplifting, low overhead, $100 to $200 of sales per square foot and overall gross margins of 25% or better. In short, a money machine.

But tumbling multiples indicate that investors feel this growth phenomenon is too hot not to cool down. At the end of 1976 the big four operated around 150 showrooms; now it's almost 300. There are 13 other chains with $25 million or more in sales, and they run 200 more. That's 500 outlets where a decade ago there were virtually none. (With warehouse, a single operation covers 50,000 to 60,000 square feet.) All this expansion has meant heavier long-term debt and more short-term borrowing at higher interest costs. Jewelry, silver, wristwatches and household appliances—eminently postponable purchases—are as much as 40% to 50% of the volume. With capital structures already groaning, a serious merchandising blunder in 1980—especially in the Christmas quarter, which accounts for 70% to 80% of annual earnings—could murder profitability. "As long as they keep making loads of money," says Jack Kawa, retailing analyst for Richmond's Wheat, First

Merchandise's catalog showroom in Woodbridge, N.J.
ners can pick up everything from wedding bands to fly rods here—as long as they order it themselves.

Raymond Zimmerman of Service Merchandise Co.
"We're not going to cry and conserve ourselves out of business."

Securities, "all that debt is very manageable. If they start to slide, and a bad recession would really grease the skids, it'll be a helluva burden."

Service Merchandise got at least its share of the bonanza, and lately it has had its share of the problems. Zimmerman, 47, a six-foot-two former dime-store operator, got into the catalog showroom business with his father in 1960. ("Mr. Harry" still is the chairman, and the family owns 27% of the 12.7 million common shares.) Zimmerman's messy corner office is decked out with a pair of computer terminals to check inventory, a cartoon of himself on a pogo stick hopping toward his billionth sales dollar and a color TV that he switches on when he's bored with a conference call.

Service's 105-showroom chain is scattered over 23 states from Oklahoma to Maine. Two years ago, it was just *half* that size. According to FORBES' 1980 performance yardsticks for specialty retailers, Service's five-year 39% return on equity ranked second only to Tandy Corp. In sales growth it was number one, from $16.5 million to $730 million in ten years. Profits? In 1970-78, net income increased from $311,000 to $22.2 million, a dizzying 70% compound rate.

But Service started to stretch itself thin in 1978, when it borrowed $36 million to buy New England-based Value House, then a 20-showroom chain. During the last two years it also opened 30 new outlets that cost another $150 million. This year it took on $41 million more long-term debt tied to the prime, part of which is helping to pay down that first loan. Its debt-to-equity ratio is now 1-to-1, *vs.* 0.6-to-1 in 1975. Meanwhile, peak short-term debt jumped from $28 million in 1978 to $82 million last year. Interest charges rose 70%, and could be up another 50% this year.

When slow sales in the fourth quarter of 1979 coincided with a squeeze in gold jewelry, earnings fell. What happened was this: Service had distributed seasonal flyers promoting jewelry priced on $300-an-ounce gold. The skyrocketing gold market caused such a run on stock that more inventory had to be bought at prices much higher than $300 an ounce. As Zimmerman tells it, the company could have raised prices but chose to stick with its original flyer prici "preserve customer loyalty."

It was lucky for Service that custo were in a buying frenzy. The com still sold plenty of jewelry to cover its blunder. But Zimmerman himse mits that merchandise supposed to a 38% markup went for 12% instea a result, annual income dropped $2. lion, or 12%, and 1978's 4.2% net gin fell to 2.7%. This year's first-qu loss, traditional in the business, cents *vs.* 5 cents in 1979.

Ray Zimmerman is somewhat br but not at all chastened: "When yo back too much on inventories and opening stores, that's when comp wind up really broke. We're not goi cry and conserve ourselves out of ness." In April Zimmerman annou he would open 2 showrooms in nor California, a state where Best, his bi rival, has 20 showrooms.

For now, security analysts like Jones of Nashville's J.C. Bradford & estimate there is room for at least d the current number of showroom size of those of the big four. If correct, they could easily keep gro 15% a year through the mid-Eigh hardly ever going into new marke knocking heads one-on-one. ■

At Chick-fil-A, religion comes southern fri It's a combination that seems to work well.

Born again chicken

By Carol E. Curtis

BOW WITH ME FOR A MOMENT of prayer. Pray that we might continue our search for the abundant life. Gird our lives with the principles that will build a great building. . . ."

You have just read part of the opening devotional of Chick-fil-A's annual seminar last February at the luxurious Greenbrier resort in West Virginia. Leading the meeting is Dr. Charles Q. Carter who, when he's not Chick-fil-A's chaplain, is tending his other flock at the First Baptist Church in Jonesboro, Ga.

Church and state may not mix, but religion and business most certainl in Chick-fil-A's case. Chick-fil-A, na for its product, is not your average food operation. Its main attraction boneless chicken breast on a bun sells at shopping malls for about $1. standard eat-and-run food. The busi is operated in a way that would m any Baptist church proud, and the gi of the fast-food business might well the company's rapid growth.

The creator of Chick-fil-A, and spiritual mentor, is Truett Cathy, an lanta, Ga.-based entrepreneur dreamed up the idea in 1961 after second restaurant faltered and was

ntucky Fried Chicken.
:hy was casting about for a way to : money when he hit upon a method essure-fry deboned chicken breasts ır minutes ("a world record"). When ɔr shopping malls sprang up in the 1960s, Cathy was ready to move his ıct into the malls for housewives and ren to carry out while they shopped. nburgers and hot dogs don't taste cold," says Cathy. "Chick-fil-A is at room temperature."
thy has built his private company a business that grossed $55 million year, and is headed for $80 million year. There are 152 Chick-fil-As in ates, with 29 more scheduled to this year, and 45 in 1981.
e company's revenues are still ten feed compared with industry rs like McDonald's, which grossed billion last year. But Chick-fil-A s its fast growth is one reason why of its main competitors, McDon- and Burger King, have begun to et a chicken sandwich.
at really sets Chick-fil-A apart, be- its emphasis on religion, is mastery ather ruthless carrot-and-stick tech- . Unlike many food franchises, n may require a front-end invest- of more than $250,000, Chick-fil-A tors only put up "token money" of 0. "We tap individuals who want to nto business, but don't have mon- Cathy says.
:hy invests the $200,000 it takes to mall space and build the store. s the carrot. Now comes the stick. tore operator draws a base salary of 00 a year for which he may labor as as 60 hours a week, with his wife throwing in her time for free. Says y, "We give him enough for bread vater, and no financial risk."
th sales at each restaurant averaging 000 after one year, operators usual- n a profit during the first year. But s when the strings Cathy has at- d begin to pull. Each store manager Chick-fil-A 15% of gross sales, and any net profits 50-50 with the any. Cathy estimates total pretax s at over $6 million last year, with $3 million pretax going back to k-fil-A. That would suggest a total margin of about 10%. That's better McDonald's and far better than of most other fast-food operators. Cathy: "I have sensed some real :les taking place in my business."
ick-fil-A Executive Vice President s Collins puts it more bluntly. "The s our unique way of compensating tors," he says.
is uniqueness boils down to the way y keeps his operators on a very leash. The average manager can $35,000 a year after five years; are extras that include company- seminars at resorts like the Green-

"I never knew gold rum tasted like this."

If you're still drinking a blended whiskey on the rocks...

It's because you haven't tasted gold rum on the rocks.

That's the reaction that's made Puerto Rican Gold Rum one of the fastest growing liquors in America today. It's the smooth alternative to bourbons, blends, Canadians—even Scotch.

Try our Gold Rum with soda, ginger ale, or on the rocks. The first sip will amaze you. The second will convert you.

Make sure the rum is Puerto Rican. The people of Puerto Rico have been making rum for almost five centuries. Their specialized skills and dedication result in a rum of exceptional taste and purity.

No wonder over 85% of the rum sold in this country comes from Puerto Rico.

PUERTO RICAN RUMS

Aged for smoothness and taste.

For free "Light Rums of Puerto Rico" recipes, write Puerto Rican Rums, Dept FB-6, 1290 Avenue of the Americas N.Y., N.Y. 10019 ©1979 Commonwealth of Puerto Rico

Part of Tenneco's continuing search for new energy supplies is this platform engaged in exploratory drilling in the Sabine Pass area of the Gulf of Mexico.

Another Tenneco Venture:

TENNECO

Investing in energy.

"In 1980, our energy investments will be over double the profits of the entire corporation last year."

J.L. KETELSEN, CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During 1980, Tenneco will spend more than $1 billion on energy projects as the Company intensifies its efforts to develop new supplies. Our dominant corporate strategy since the 1973 oil embargo has been to increase production of American energy. The results are encouraging.

For example, as its contribution to the solution of the energy supply problem, Tenneco has:

- Increased its oil production in the United States by 17 percent since 1973, even though total domestic oil production was down by 7 percent.
- Increased its natural gas production in the U.S. by nearly 42 percent in the same period, while the industry dropped more than 13 percent.
- Increased capital investments in exploration and production from $124 million in 1973 to more than $850 million in 1979.
- Maintained a wildcat drilling success ratio of 29 percent, about double the industry average. The success rate of 85 percent for development wells drilled in 1979 was among the industry's best.
- Kept our aggressive course of replacing production with new reserves.
- Led the exploration of two frontier areas in the Atlantic Ocean, the Baltimore Canyon and the Southeast Georgia Embayment. We have more wells in those two areas than any other company. Two of the three wells in the Baltimore Canyon that tested hydrocarbons are on a tract in which Tenneco holds a 65 percent interest.
- Acquired interests in 15 tracts in the Georges Bank area off New England and three tracts in the Beaufort Sea off Alaska. We also acquired interests in 12 new tracts in the Gulf of Mexico during 1979, bringing our holdings there to 118 federal tracts.
- Continued to expand the Yowlumne Field in California, one of the largest fields discovered in this state in recent years.
- Made six discoveries in 1979 in the Williston Basin of North Dakota, another large area where proven reserves are still growing.
- Led the negotiations with the national petroleum company of Mexico, resulting in the initial importation of 300 million cubic feet of natural gas per day. About one-third of this gas flows into our 16,000-mile pipeline system which serves utilities and their customers in 24 states.
- Participated in many synthetic fuel research projects. We are partners in the nation's first commercial coal gasification plant in North Dakota, a $1.5 billion project. We have also formed our own coal company and have sufficient coal and water resources to supply several coal gasification plants.
- Become equal partners in the nation's most advanced oil-shale recovery project, which has an estimated 1.2 billion barrels of recoverable oil.
- Initiated a pilot project to produce heavy oil from tar sands in Alberta, and we are evaluating the potential for recovering natural gas from geopressurized saline water in Louisiana.

All these achievements and projects help reduce our nation's dependence on imported oil.

Although energy makes up two-thirds of Tenneco's income, we continue to provide other basic needs, like food, automotive components, chemicals, ships, packaging, farm and construction equipment, and insurance.

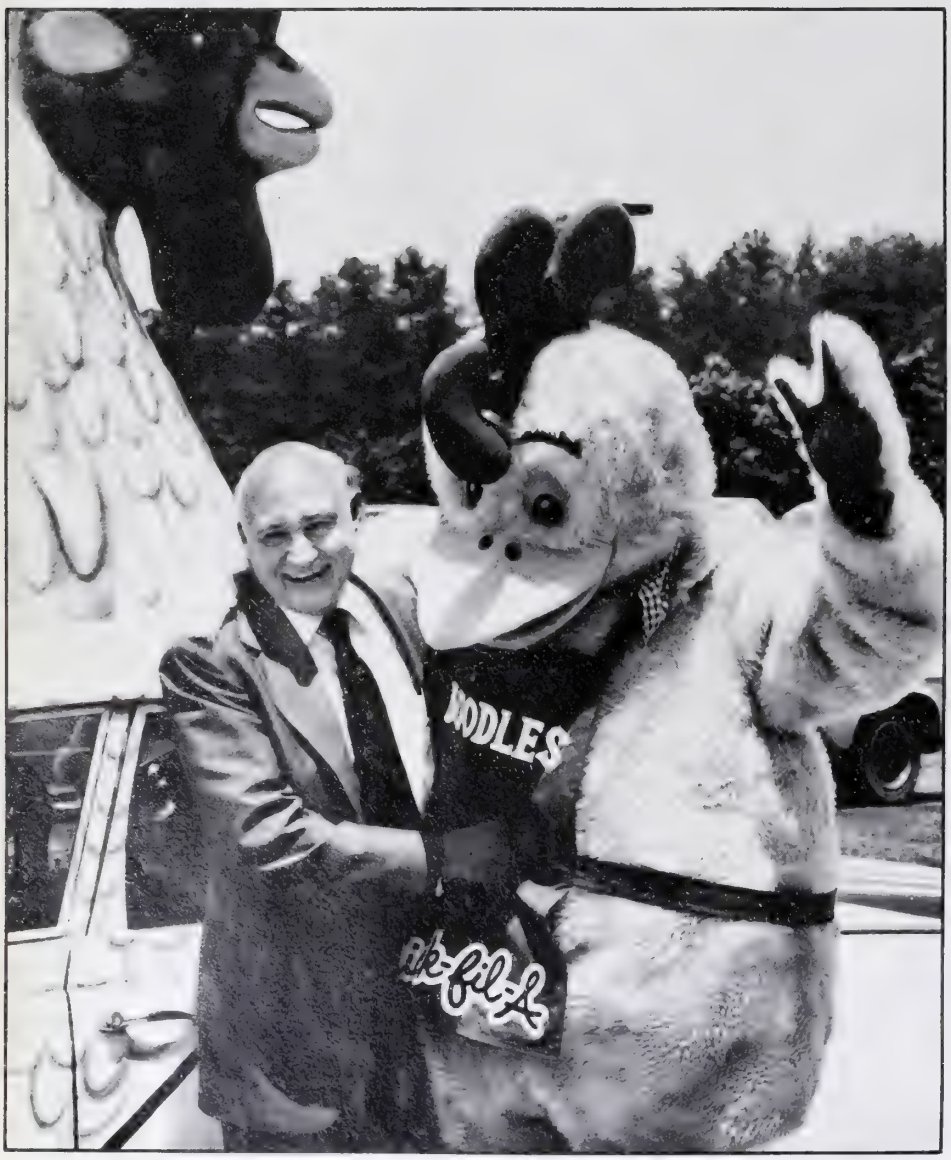
That's Tenneco today: growing in energy... and more.

For more information about Tenneco, write Dept. F-3, Tenneco Inc., Houston TX 77001.

TENNECO OIL ◯ TENNESSEE GAS TRANSMISSION ◯ J I CASE ◯ TENNECO AUTOMOTIVE ◯
TENNECO CHEMICALS ◯ NEWPORT NEWS SHIPBUILDING ◯ PACKAGING CORP. OF AMERICA ◯ TENNECO WEST

Tenneco

Chick-fil-A's Truett Cathy, at right, with his staff at a Monday morning prayer meeting (above), *and* (below) *later that morning hawking chicken at an Atlanta shopping mall*
"I have sensed some real miracles taking place in my business," Cathy says. Prospective operators are reminded that "God don't sponsor no flops."



brier, and the use of a Lincoln Cont
tal if sales increase 40% a year. C
lets the operator keep the car if sal
up 40% two years in a row. But Ca
adamant in his refusal to allow oper
to manage more than one unit. "T
on more than one would disturb his
manager's] effectiveness," Cathy r
tains. Adds Collins, "The key to
thing is that each operator must ru
own store." Some might argue that
restrictions are too limiting to keep
ators happy over the long haul. But
ator turnover so far is only 2%,
Cathy has never closed a store.

Wayne Farr, 30, who operates a
at Northlake shopping mall outsid
lanta, is fairly typical of the peopl
tached to Chick-fil-A. Farr was s
steel joists when he lost his job
asked Cathy for a store. Cathy lent
the $5,000 startup fee, which Far
layed in seven years into an annua
come of $93,000. Says an enthusi
Farr, "Chick-fil-A is like a mar
Once the deal is consummated,
lifetime thing."

The comparison may seem fatu
But Cathy makes no bones about
strict personal and religious rules h
poses on operators. "Almost all oper
are Christians," he says. Smoking
drinking are discouraged. "Even an
sional beer is frowned upon," he
Emphasis on marriage and the fami
strong. "The worst thing that can
pen at Chick-fil-A is a divorce in
family," Cathy tells a visiting report

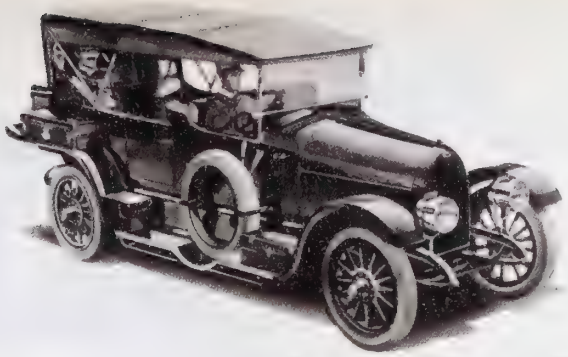
Then there is that ever-present
gion. At the Greenbrier seminar, ma
ers were asked to listen to tapes o
sermons of another Baptist preacher
Charles F. Stanley, on topics that inc
ed "A biblical success image" and "
cess is scriptural." Stanley says th
like, "God set up his residence in
heart to control the total being. An
dient believer is a winner every
with God."

There is no doubt that the comb
tion of religion and fast food sells in
Deep South states of Georgia and
Carolinas, where nearly a third o
Chick-fil-As are located. Less certai
how it will fly elsewhere. Collins
cedes, "We have had difficulty selling
product in Florida and in the Northea
The farthest north Cathy has vent
so far is Paramus, N.J., where one Ch
fil-A has operated since 1974. Its
enues in 1979 were $591,000.

Nevertheless, Cathy is pushing ah
with aggressive plans for regional ex
sion. The first California store will o
this year, and ten new Chick-fil-As
due to start up in Ohio and Pennsylv
by the end of next year.

"Like Ethel Waters said," the Re
end Stanley tells a group of Chick-f
hopefuls in Atlanta, " 'God don't spo
no flops.' " ■

IN 1915, FIAT MADE A MOTOR CAR FIT FOR A KING. THE BRAVA IS ITS NOBLE HEIR.



THE KING OF ITALY SALUTED THE CROWDS FROM A FIAT OPEN TOURER. BUT THEN, A KING SHOULD HAVE COMFORT WHEREVER HE GOES.

Meticulously engineered, handsomely designed, and uncommonly comfortable, the 1915 Fiat open tourer the King rode around in ranked among the truly fine motor cars of its day. As the 1980 Brava European performance sedan does today.

The Brava offers you all the luxuries you expect in contemporary European sedans. And some luxurious touches all its own.

BRAVA. SO QUIETLY LUXURIOUS, A BUZZER IS REPLACED BY CHIMES.

The Brava gives you air conditioning and power steering, standard.

Its sumptuous seats are now available upholstered in optional fine leather.

Its roomy interior is color-coordinated with its exterior.

And its back seat has reading lights for your passengers.

BRAVA NOW WITH OPTIONAL FUEL INJECTION.

The 1980 Fiat Brava has a DOHC 2-litre engine, with optional fuel injection (standard in California). It gets excellent mileage for a car of its class. Remember: compare this estimate to the estimated MPG of other cars. You may get different mileage depending on speed, weather, and trip length. Actual highway mileage will probably be less. *EPA estimates based on optional fuel injection.*

24 EPA EST MPG / 34 EST HWY

For the name of the nearest dealer, call (800) 447-4700 or in Illinois (800) 322-4400. Specifications subject to change without notice.

FIAT

MOTOR CARS IN THE GREAT EUROPEAN TRADITION.

©Fiat Motors of North America, Inc., 1980

NOW YOU CAN
ALL OVER

We're putting Sleeperette® seats on all our 747s. Throughout the United States. And all over the world.

That means more room in Pan Am's First Class than you've ever had on any airplane before.

More comfort, too. Because the Sleeperette seat stretches out. So you can do likewise...to read, relax, even sleep.

Now they're on just about all our 747s as well. And soon every First Class seat on every Pan Am 747 will be a Sleeperette seat. And, as always, at no additional cost.

Of course, room to stretch out isn't the only reason to fly our First Class.

And though this remarkable, reclining seat extends the length of four and a half windows, there's plenty of room between rows.

Until recently, Sleeperette seats were available only on our long-range 747SPs.

STRETCH OUT THE WORLD.

comparable luxury and
ternational service are a
ouple of others.

Another reason is the kind of plane we fly, the 747. It's the plane the world prefers, and we've got the world's largest fleet.

So tell your Travel Agent or Corporate Travel Department you want Pan Am's First Class.

Because what good is flying all over the world if you can't stretch out and enjoy it?

PAN AM

We fly the world the way the world wants to fly.

Antoine Riboud, head of France's BSN-Gervais Danone
The late bloomer in a family of overachievers, he is now extending his food and beverage empire into the U.S.

What better businesses are there than oilfield services and yogu What more popular art than photography? Wouldn't you know th the Riboud brothers are on top in all three?

Everywhere you look there's a Riboud

By Paul Gibson and Barbara Ellis

FOR OVERACHIEVERS the Riboud clan has few, if any, peers. The three Riboud brothers—Antoine, Jean and Marc—hail from Lyons, France. The youngest, Marc, now 56, ranks among the world's foremost news photographers. Winner of two Overseas Press Club awards for photography, his work frequently graces *Time* and *National Geographic*.

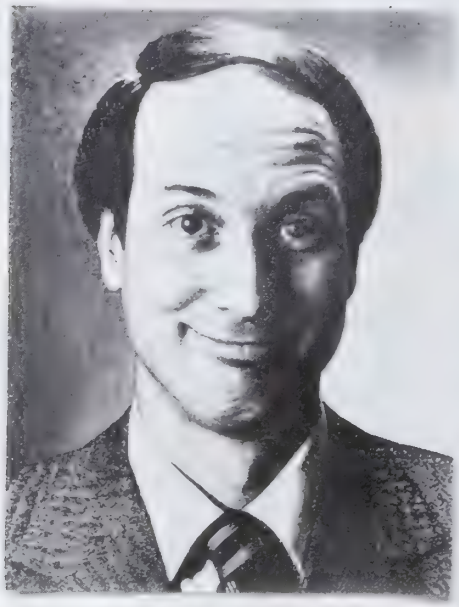
Jean, 60, set out to be a banker and instead became chief executive at Schlumberger Ltd., the partially foreign-controlled, New York- and Paris-headquartered oilfield service company. Schlumberger has grown rapidly since Jean took charge in the mid-1960s and centralized control over a loosely knit, world-spanning engineering operation; in 15 years Schlumberger's sales have climbed from a notch over $300 million to more than $3.5 billion. In net profit Schlumberger now ranks 22nd among all U.S. companies on FORBES' 500 lists and 5th in stock market value, behind General Motors and ahead of General Electric.

Now meet Antoine, 61, the eldest. is the brother who stayed at home. F the most inconspicuous and ha capped of beginnings, Antoine turned a tiny family business into E Gervais Danone, a Paris-based, globe dling food-and-beverage empire that rivals in size and scope such U.S. gi as Borden and CPC International.

There are also three Riboud sisters who have fare in their own right. Michelle has been a senior execu a worldwide charity organization. Françoise r school for emotionally disturbed children, and Sy an administrator in the theater in Paris.

Now you can copy both sides of this page without

turning it over.



The Xerox 5600. You put in a two-sided original, and get back a two-sided copy. Automatically.

If you copy from two-sided originals, you've turned to the right copier.

The Xerox 5600 is the only one that lets you copy a two-sided original without having to:

(1) copy one side,
(2) turn the original over, and
(3) copy the other side.

The 5600 does it all in (1) step, automatically.

It also collates your copies into nice, neat sets, automatically. And even staples them, automatically.

For more information, call us at 800-648-5600 (operator 263).*

We'll show you how a Xerox 5600 lets you do something more productive than turn over originals.

Namely, reduce office turnover by 100%.

XEROX

*In Nevada, call [illegible] XEROX® and 5600 are trademarks of XEROX CORPORATION

k in 1958 Antoine inherited a naking company. It had been ed by a great-uncle in Lyons. It d barely $10 million in sales. For etter part of the next decade, An- stuck close to glass, branching out rom glass containers into flat glass o windshields and housing. Then, in the 1970s, in a series of bold itions made largely for stock, he diversifying into dairy products, oods, mineral waters and beer, be- g, in effect, France's leading con- rator. His interests even include a r airline and a casino. BSN's rev- are now pushing $4 billion.

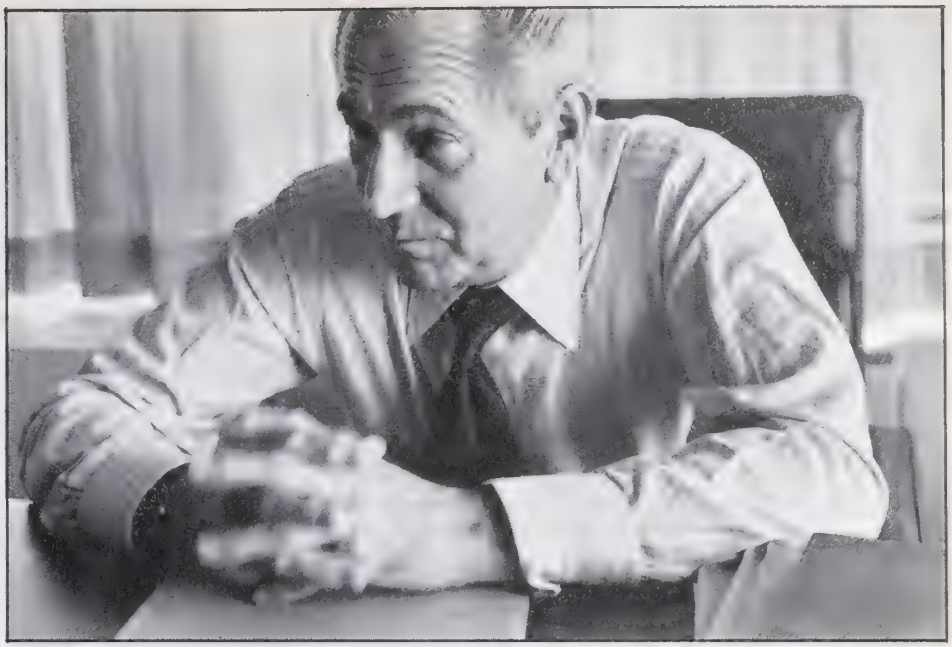
hickly accented English, his crin- ice beaming, Antoine Riboud ticks ne of his bigger successes: BSN is e's largest beer producer, brewing 14 million barrels annually, almost ch as Schlitz. It is second in the in pasta, behind Italy's Barilla.

are the largest in the world in products," adds Riboud. One rea- r that is BSN's world-dominant n in yogurt, a fast-growing, highly ble business.

make 3 billion units of yogurt lly and that's probably 3 times as as Beatrice." Beatrice, which ates the yogurt business in the hares rights with BSN to the Dan- ame and technique. Beatrice has istribution, BSN has the rest of the —with one exception: The Carasso , which originally commercialized ogurt-making process, still owns hts in Spain.

ow profitable is this sprawling conglomerate, BSN? On the sur- face, not very. Its reported profits ar, $55 million, came to less than nts on the revenue dollar. But com- ns are tricky between U.S. and Eu- companies. Europeans, unlike rms, prefer to minimize reported —why tempt the tax collector? s yardstick Riboud prefers to use sh flow—profit plus depreciation. s measure BSN compares favorably . Its net cash flow since price con- vere lifted in France has been over sales, *vs.* 5% or 6% for both Bor- d Beatrice.

oine Riboud, like his brothers be- m, is now invading the U.S. Why he done so previously? Probably se the European market looked A few years ago, however, 's bourgeoisie received a terrible hen public opinion polls announced pending Socialist victory in the al elections. It didn't happen, but then all prudent Frenchmen—and Frenchman isn't prudent?—have d they should have a nest egg in S. Antoine had an additional re- r of the need to diversify geo- cally—a terrorist gang had pro- it. In 1968, his Paris apartment



Chairman Jean Riboud of Schlumberger Ltd

The family's intellectual with a penchant for arguing and a flair for finance.

was bombed by these criminals at the height of the publicity over his attempted St.-Gobain takeover, and he barely escaped death.

Recently Antoine was at Manhattan's Bloomingdale's to launch his Kronenbourg beer, which comes from France's Alsace region and is Europe's most popular bottled brand. "He is amazing," said an awed guest at the launching party. "He spent the whole evening going up to people asking, 'Have you tried my beer? It's a very good beer.' " Hardly the behavior that blasé New Yorkers have come to expect from chief executives, but effective nonetheless.

"What you must realize," says another Riboud watcher who has known the family intimately for years, "is that underneath all that Gallic charm, Antoine is aggressive and very power hungry." No doubt he would love to surpass his brother Jean in the U.S. If that's sibling rivalry, it is constructive rivalry.

Antoine's drive is, in a sense, an almost Toynbeean response to challenge. At birth he was so sickly his parents feared he would soon die. To make sure they were not left heirless, this solid bourgeois couple produced his brother Jean only 11 months later. While Jean shone at Paris' prestigious law and political science schools, the asthmatic Antoine was a mediocre student. Jean and Marc became Resistance heroes in World War II—Jean spent two years as a prisoner in Buchenwald concentration camp. Antoine took a lowly position in the family glass business. His latent genius as a corporate entrepreneur went largely unnoticed until he became chief executive through a combination of inheritance and seniority.

What finally pushed Antoine Riboud into prominence was an audacious takeover bid in 1968 for St.-Gobain, then a far larger and better-connected glassmaker. His proposal to swap BSN convertible bonds for St.-Gobain stock, at the time a novel approach in France, failed. Riboud, the middle-class upstart, was driven off by St.-Gobain's conservative board members. But while Riboud's tactics offended France's stuffy business establishment, Riboud became something of a cult figure among younger managers eager for change. Virtually overnight BSN acquired a new image, and youthful executives flocked to join Riboud's banner. Today BSN's top ranks teem with European marketers who learned their trade with such U.S. companies as Procter & Gamble, Colgate-Palmolive and General Foods.

So Riboud can afford to be philosophical about his early rebuff by St.-Gobain, arguing that it helped him spot another trend. "I saw it would be better to fill the bottles rather than just make them," he says, gesticulating excitedly as he explains his moves into all manner of foods and beverages—over 60 brands in a dozen countries. It's a sad commentary on our times that it is easier to make money from nonessentials, such as yogurt or beer, than in blast furnaces for glass or steel. But that's the way it is. Riboud sagely decided to go with the tide rather than fight it.

In achieving his success Riboud has consistently purchased companies that already ranked among the top three in their respective markets—solid Boston Consulting Group theory, that—and then spent heavily for some of the sharpest advertising seen in Europe. For example, when it acquired the Canada Dry soft-drink franchise in France, BSN created an advertising campaign built around the old television series, *The Un-*

Photographer Marc Riboud (left) *with Arles Festival director Lucien Clergue*
Art and politics are judged no less important than commerce in the Riboud clan.

touchables. It even used a look-alike for Robert Stack to play the Eliot Ness character and promoted the idea that in the Chicago of the Roaring Twenties rumrunners often drank Canada Dry ginger ale in preference to liquor. Sales soared and in several markets Canada Dry actually challenged Coca-Cola. The irony is that the commercials were in large part true. Rumrunners often were teetotalers, but Canada Dry's U.S. parent, Norton Simon Inc., had never used the idea here in its own advertising.

To be sure, BSN has a couple of advantages over most firms. It is closely linked with the powerful French banking group, Cie. Financière de Paris & des Pays-Bas. Both Antoine and Jean are directors and each has the bank's former chairman on his board. More important is the cozy relationship BSN enjoys with the French government, which can only make U.S. businessmen envious. Even though it is rich in agricultural products, France has never had a food-processing company to rival Switzerland's Nestlé or the Anglo-Dutch Unilever. So the French government now actively encourages mergers among competing food companies. No ambitious antitrust lawyers from the Justice Department to worry about there. Quite the reverse. Recently Frigicrème, a French ice-cream maker and frozen-food company, was up for sale. Nestlé, Unilever and the Willot brothers (another French-brother act, which owns New York's Korvettes) were among those eager to bid. "The government had BSN's name stamped on that right from the start," says a sore loser.

Similarly there were no objections in April when BSN bought a grocery products division with $300 million in sales from Générale Occidentale, owned by Sir James Goldsmith, the Anglo-French tycoon *(see* FORBES, *Sept. 17, 1979)*. In Europe, unlike in the U.S., business and government tend to be partners rather than antagonists. Whatever their differences, both sides recognize they have an interest in creating jobs.

This deal cast an interesting sidelight on how French tycoons like to operate. The Paris rumor mill had been churning out stories that Goldsmith was selling because he urgently needed cash for his lackluster retailing ventures that include Grand Union and Colonial Stores in the U.S. and for his proposed takeover of Diamond International, the forest-products company. So there was surprise when Riboud gave Goldsmith minority shareholdings in some obscure subsidiary companies rather than cash. The truth emerged when a story appeared in *L'Expansion*, a Paris business biweekly. It told how the deal started with a dinner for Riboud, Goldsmith and his banker at Goldsmith's Champs-Elysées area restaurant Laurent. It quoted a letter from Riboud to his executives explaining that for *tax* reasons Goldsmith would take shares rather than cash. What *L'Expansion* didn't tell its readers were its writer's connections: Her husband works in the BSN glass export department. Her name: Christine Mital. Her father is Antoine Riboud.

Père and *Mère* Riboud, Camille and Hélène, raised a loving, feuding and highly competitive family,* says a relative. While Marc, nervous and high-strung, stays behind the lens, his brothers become French television celebr Jean, the family's intellectual who to argue, once conducted a barga session for a Schlumberger subsi with a union leader on prime-time te sion, while Antoine, less urbane shrewd and tough, recently was a commentator on a French telev news program.

In part because European expar now will come harder, in part bec the lesson of the political scares h been lost on Antoine Riboud, BSN' thrust is likely to switch to this si the Atlantic. In April, Antoine had sell its flat glass operations in West many to U.K.'s Pilkington Brother $260 million in cash and shares. No wants to reinvest that money. BS already in the U.S. with Evian, a nor bonated water more popular in Fr than Perrier, and now with Kronenb

Does Riboud think he can becor beer baron here too? That's unlikely ready there are between 150 and labels scrapping for the $200 million- imported premium beer market. Wi hefty advertising campaign, Kro bourg likely will wrest some sales f the Netherlands' Heineken, which o half the market. But for Riboud t only testing the marketplace. He's bigger things.

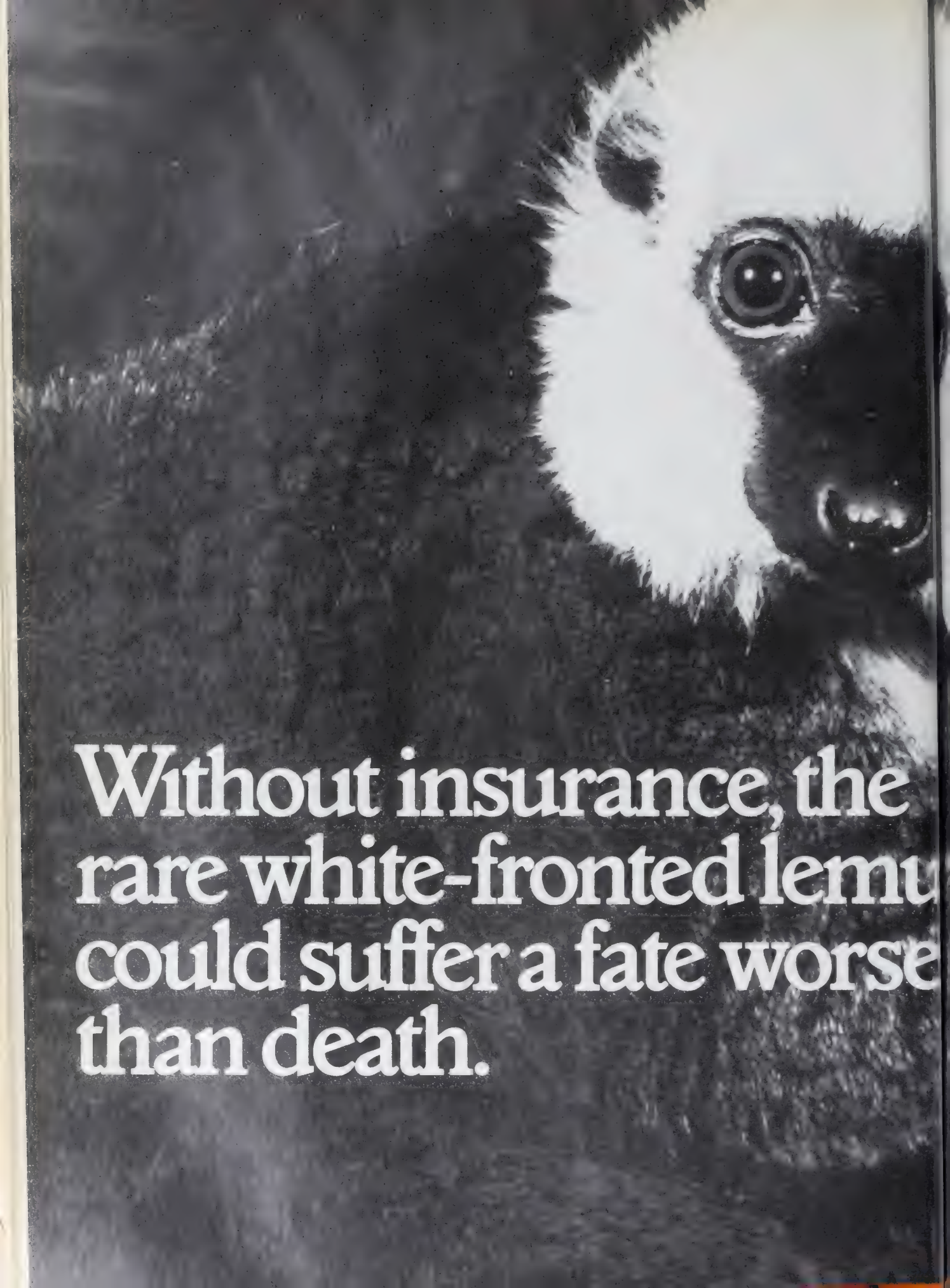
Reportedly, Riboud has been t ing up deals here with Anheu Busch and General Foods and visited with Ernest and Julio Gall Modesto, Calif. The Gallo brothers both elderly and their sons are less e than their parents to run the winery. years Ernest has been telling intim the company would one day be run l professional manager.

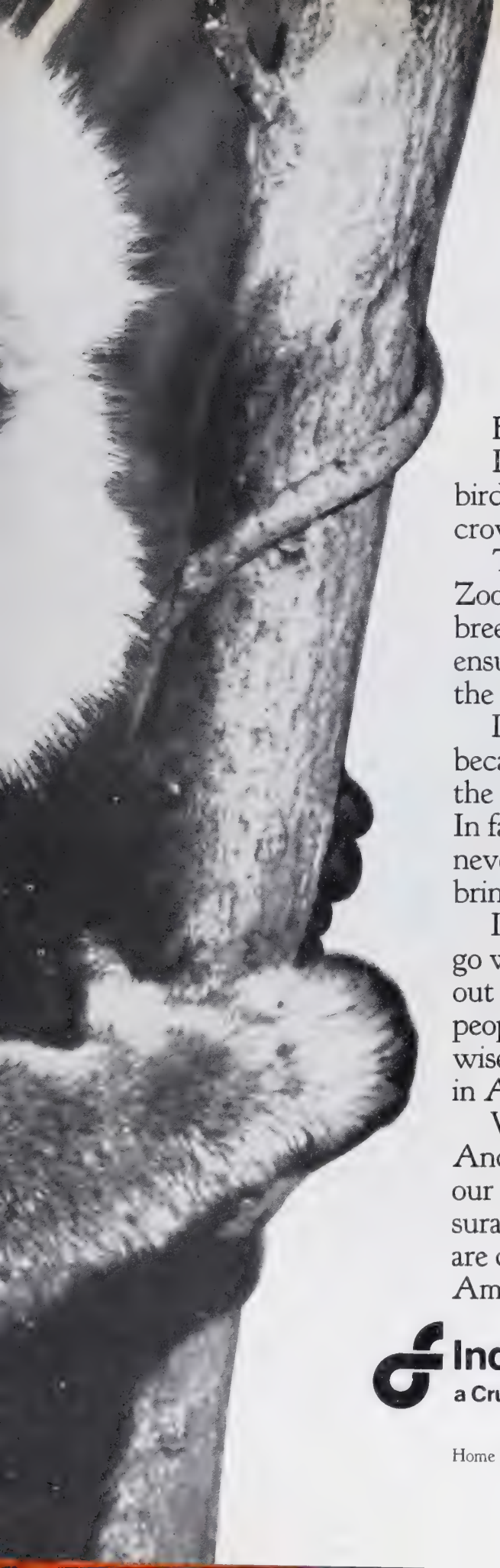
For Riboud, who has his own pri vineyard in southeastern France, w would be better than acquiring a pri company with a first-rate distribu network? For one thing there woul be the Securities & Exchange Comr sion looking over his shoulder. W Frenchman could resist that? W pressed about his plans, Antoine Rib merely gives a Gallic shrug of his m sive shoulders and replies, "We have a of ambitions everywhere in the worl

Will there be another generation Riboud overachievers to carry out th ambitions? It would probably be much to expect genetics and envir ment to repeat the odd confluences t dropped six such gifted people int single family in a single generati There are no indications that any of next generation will be quite as pro nent. Nevertheless, there are plenty signs of talent. Besides his journa daughter, Antoine has a son who op ates a successful Paris travel agency another who runs a chic women's fa ion boutique, Victoire. ■

**Politically the prudent Riboud have covered their bets Jean, who keeps houses in both the U.S. and France, was for years an elected councilman in Ouroux near Lyons. Then his sister Françoise, running on a leftist ticket, beat him. Now Jean, a longtime adviser to socialist leader François Mitterrand, has his eye on a national political office in France.*

Built with
today's technology
from the ground up.
Canadair Challenger and the new, extended Challenger E are the first long-range business jets designed from scratch to take advantage of recent advances in aviation technology.
The state of the art now includes a high-lift, low-drag wing with increased fuel capacity; quiet, fuel-efficient, high-bypass turbofan engines; lightweight composite materials. The result is a more efficient aircraft.
A fresh look at the business jet also gave Challengers the first wide-body cabin in the field. With stand-up, walk-around room and plenty of space for a complete galley, baggage, and crew accommodations on the longest flights.
Compare Challenger innovation with competitors' designs rooted in the '60s. For more information, call James B. Taylor, President of Canadair Inc., at (203) 226-1581. Or write Canadair Inc., Dept DB20, 274 Riverside Avenue, Westport CT 06880.
The all-new business jets.
canadair challenger


Without insurance, the
rare white-fronted lemu
could suffer a fate worse
than death.



Extinction.

It could happen to many of the animals, birds, and reptiles in today's overcrowded world.

That's why scientists at the San Diego Zoo are working on programs to breed endangered species in captivity. To ensure that they won't go the way of the dinosaur.

Insurance helps make this possible... because without it, no zoo could afford the risks involved in its many activities. In fact, without insurance, you might never get to enjoy a lot of things that bring you closer to nature.

Insurance isn't just for when things go wrong. It also helps us get more out of life. And because insurance allows people to face financial risks they otherwise couldn't afford, it plays a vital role in America's free enterprise system.

We're proud of the insurance business. And the people involved in it. Especially our more than 1,300 independent insurance agents and brokers who, with us, are dedicated to helping insure the American way of life.

Industrial Indemnity
a Crum and Forster organization

Home Office: San Francisco 94120

The bureaucracy has ordained that women should hold nearly 7% of jobs in the construction industry. But Paul Volcker and soaring unemployment just aren't cooperating.

What jobs?

By Beth Brophy

CAN THE BUREAUCRATS order women into construction jobs when the layoff rate among hard hats is 15% and the unemployment rate for women is 6%?

Not very well, it seems. In fact, the recession may be the blow that defeats the bureaucracy's controversial mandate that within ten months (by April 1981) 6.9% of all construction workers be women. At the moment, women make up only 1.5% of the 3.9 million employed construction workers. To reach the goal, contractors would have to find jobs for 210,000 more women workers at a time when nearly three-quarters of a million men are out of work in the industry.

A flurry of publicity surrounded those goals, including a spate of newspaper stories about women nailing, drilling and scraping, and their complaints about on-the-job harassment, wolf whistles and insults. The program was in trouble even without the building slump. Contractors and unions say there aren't enough women who want construction jobs. Women's groups claim the contractors aren't half trying. The Labor Department takes a Solomon-like stance, saying the goals are reasonable even in a recession, but basically doing little more than saddling the industry with more paperwork.

In the meantime some women are training. One motivation is pay, which can be good—$10 to $18 an hour—when there's work. In northeast Washington, for example, a 38-woman crew is renovating a public housing project. Gingerly stepping around piles of rubble, they carry sheet metal, install pipes, scrape chipped paint off dirty walls. Wearing yellow hard hats and plastic goggles, two painters pound in a dry bathroom wall using wooden block and hammer. In an adjoining room, two more—weighing in at less than 90 pounds each—stand on ladders, arms upraised, hammering nails over their heads into the new ceiling.

Trainee renovating public housing project
A tough time for a hard mandate.

"It's no harder than housework once you get the hang of it," says Sarah Miser, 30, a former welfare mother who now pulls in $124 a week, tax free, as a laborer-in-training. Her partner looks up, surprised. "It *is* harder," she says quietly.

"Sure, an experienced crew could have completed the work by now," says Ray Bright, 63, the union foreman supervising the program. "But these women can build everything, once they get the training." The question is, of course, whether these women will find jobs at the end of their training. Unemployment in the construction trades touched 15.1% last month—leaving 766,000 workers jobless, 232,000 more than last year.

"I don't think the government gave deep thought to this recession problem," says Chris Monek, employment director at the Associated General Contractors of America. "They didn't think about the union towns like Boston and New York, where experienced workers are sitting on a bench and there's a moral obligation to get them back to wo

The Labor Department isn't read concede that the building slump ma difference. Alexis Herman, directo the Labor Department Women's Bu puts it this way: "Even in times shrinking economy we have to be scious of job distribution."

The Office of Federal Contract C pliance Programs (OFCCP), an arm o Labor Department, is charged with forcing the regulations. Says OFCCP rector Weldon Rougeau: "The goa 6.9% is realistic if contractors don on their hands and wait for wome come knocking on their doors. We d put a man on the moon by saying were sending a spaceship there. Just cause it can't be done overnight do mean the government shouldn't im those goals." But he admits the goals "flexible." If a contractor only hired of women in his work force—or 0%—but filled the forms that show tried his best, the government woul satisfied, he says.

But contractors complain that pr documentation creates expensive, fling paperwork. "I've had it up to eyeballs with trying to do the impo ble," says Eva Poling, executive president of the Mechanical Contrac District of Columbia Association, "Given the paperwork burden and procedural vagueness—how many let constitute enough documentation contractor is in a catch-22 from wh there is no escape. If you are not meet your goals, you can't possibly be do enough paperwork, so you are not compliance."

Women's groups blame the gove ment. "Without enforcement, the go are paper tigers," says Betsy Coo project director of Women's Work Fo Network at Wider Opportunities Women, Inc. (WOW). "Contractors unions know the government won't anything, so they make only superfic haphazard efforts."

A serious problem is that the constr tion industry is made up of tens of th sands of small firms, too small to set training programs and too poor to h affirmative action experts to fill forms. The Labor Department says doesn't squeeze tiny firms anyway, the big builders. But don't tell that Alma Gaghan, a northern Virginia wo an who tried to run a seven-emplo family plumbing firm when her husba died. She found herself facing 13 affirm tive action complaints. "I wasn't doi anything wrong," she says, but the go ernment gave her a choice: She co give up federal contracts or sign a conc iation agreement that required massi paperwork and recordkeeping.

"Well, I don't have any of those hass anymore," Alma Gaghan says. "I s the business." ■

1979 Gordon's Dry Gin Co. Ltd

It's crystal-clear.
It's a bit more expensive, but for a crisp Gin & Tonic,
the world comes to Gordon's.®

Pleasure before business.

On our new 747B's from Los Angeles and Seattle to Tokyo and Bangkok, we treat you with a little vacation, as it were, before you get down to business. And we do it as smooth as silk to 33 cities across 4 continents. Because we, too, have important business to take care of. And that, dear passenger, is you.
Thai
How man was meant to fly.

Everything about David Plastow represents his company's philosophy. Which is why he wears a Rolex.

David Plastow is the custodian of a long and famous engineering tradition.

He is the Chief Executive of Rolls-Royce Motors, and indeed, his manner and personal appearance exactly reflect the ethos of that company. That of the skilled engineer.

Plastow takes a personal interest in any modification, however small.

"All our developments at Rolls-Royce are always evolutionary rather than revolutionary," he says.

"We are a highly personal business, and both our craftsmen and our customers have clearly defined ideas about what a Rolls-Royce should be. But while we don't tamper with those fundamental ideas, we are, of course, constantly searching for improvement. For instance, years ago, the gear selection on a Rolls-Royce car became completely electronic. But, a driver likes to 'feel' that the gear selection lever is doing something . . . so we engineered the 'feel' back into it – so it's satisfying to use."

David Plastow recognises the similar philosophy behind the watch he wears.

"It's a Rolex Oyster Datejust. I'm told that the engineering concept of the Oyster case first appeared in 1926.

"Obviously this watch has changed and improved over the years but Rolex have stayed with the basic idea because it was a very good one. It's extremely tough, very reliable, and superbly engineered. After 50 years of development it's almost perfect".

Which, from the man who makes the finest cars in the world, is quite a compliment.

ROLEX
of Geneva

The Rolex Datejust Chronometer. Available in 18ct. gold, steel and gold combination or stainless steel, with matching bracelet.

Write for brochure. Rolex Watch, U.S.A., Inc., Dept. 109D, Rolex Building, 665 Fifth Avenue, New York, NY 10022.
World headquarters in Geneva. Other offices in Toronto and major cities around the world.

e Texas establishment's favorite money manager is a Copt from iro whose faith in the resiliency of U.S. society and in the U.S. nomy's prospects puts most of us natives to shame.

Fayez Sarofim: Don't sell America short

By Howard Rudnitsky with Yassin El-Ayouty

N IMPRESSIVE LIST OF clients have beaten a path to an unmarked door on the 29th floor of Two ton Center in Houston, behind a brilliant 51-year-old Egyptian-money manager and his team hold In business for just 21 years, Fayez m & Co. has amassed investment nts totaling $5.5 billion, most of it on money and most of it extremely blue-chip cli- They include Rice Univer- the State of Oregon pen- und, Ford Motor, CBS, Al- Standard Oil of Indiana, to but a few. In the highly etitive pension fund man- ent business, only the y banks—Morgan, Bank- ust, Mellon Bank and oth- re substantially bigger Fayez Sarofim's firm, already rivals such old- ished private firms as T. Price Associates and ler, Stevens & Clark.

firm is not the "hot of the moment, no daz- at common sense and the f averages tell you can't Over the past 20 years on ge, the equity investment nts of Fayez Sarofim & f Houston have outper- d the Standard & Poor's stock average by several ntage points a year. With nds and appreciation, the has averaged about 7% a the Sarofim accounts 10%. The market aver- 5.7%, Sarofim 7.7%, over ars.

such is the power of con- t performance and com- d interest that Sarofim's vely modest edge transl- to a performance much than the market's as a . A $10,000 Sarofim account, all income and capital gains reinvested, would have grown over 20 years to $63,000; over the latest 10 years to $21,000.

More than that, however, what brought FORBES to Sarofim's art-bedecked Houston offices was not his success as a magnet for pension money but word that the shrewd, owlish, naturalized Texan was something of a heretic in the investment community. In these generally bearish times, Sarofim is bullish. Although he agrees that we are in a recession, his accounts are 80% to 85% invested and he and his team are adding to their common stock portfolios.

Fayez Sarofim: patience, faith and a dependable consistency

"I am quite hopeful," he said. Fayez Sarofim is not given to flamboyant statements, you see.

As he opened up, however, Sarofim gave a graphic glimpse into what he meant when he said he was "hopeful." Sarofim thinks the Dow industrials could see 1200 sometime in 1981. This implies a rally comparable to the stunning ones of 1962, 1970 and 1975.

Having averaged 7.7% over the decade of the 1970s and 15% since 1975, Sarofim is now talking about 20% gains on average in the next five years—a significant improvement.

Isn't Fayez Sarofim reading the newspapers? He is, but he is discounting much of the pessimism he reads.

"All this talk of disaster, high interest rates followed by low rates, possible failures," he said, shaking his head. "All this talk is making people nervous and they are wondering if the whole thing is going to blow up."

As an example of what he regards as unsophisticated media hype, Sarofim talks about reporting on inflation. He doesn't think it has been as bad as the headlined numbers suggest. "The Consumer Price Index said 18%, but we think inflation is closer to 8% or 10%," he says. "The CPI is artificial." He demonstrates his ability to

swing his mind from the general to the specific and back again. He tells how he went to the supermarket to buy meat. "I bought a roast and some chicken," he says. "The bill was $36. Of that the beef came to $30, the chicken was only $6. I prefer the chicken." His point is simple: How can you people talk of hardship, of declining living standards when you can buy chicken for $6?

Sarofim flips a gold-plated wishbone, given him by a client. Until last year, the wishbone had a coin in it. One side read, "I wish I had bought"; the other, "I wish I had sold." Sarofim smiles, and tells how he views reports of America's declining productivity.

"I think the productivity figures are somewhat distorted by the fact that we are more of a service economy than other countries; the index of productivity is overweighted by mature heavy industries like steel, textiles, autos.

"Thus the figures are masking some solid improvements in technology fields—computers, aerospace, semiconductors—and in energy. These are important areas for our future."

He smiles again. "At any rate, the productivity declines have ended and we are in for overall improvement from here on now that the economy is in recession."

Perhaps it is in the air in Texas. Perhaps his views are shaped unconsciously by his own success. Perhaps it is the perspective one gains from having been born and raised in the ancient land of Egypt and being transported to booming, youthful Texas by way of Berkeley and Harvard. Whatever the reason, Fayez Sarofim is by no means convinced we are a declining society. He goes on:

Rice University entrance way
The endowment was an early coup.

arofim in the pleasantly eclectic jumble of his Houston office
liking for strong-willed entrepreneurs with their money—and their egos—on the line.

"The U.S. is still a relatively young nation among industrialized nations. It can still mount the effort to become more competitive through technology. It's blessed with natural resources and, equally important, the brainpower. And the U.S. political system is still the most stable of all."

Sarofim doesn't ignore the problems the U.S. faces. We must do a better job of competing with the Germans and the Japanese and not simply try to stay competitive by devaluing our currency. "If productivity declines, quality declines," he says. "I see it in the oil-pipe area. The reject rate of steel pipe is getting to be pretty bad." He worries, too, about what will happen when the economic and psychological damper of the current recession wears off. Will inflation rekindle?

He isn't sure. His optimism extends only through the early 1980s. Inflation could escalate after that. He just doesn't know. Fayez Sarofim isn't about to write a blank check for permanent prosperity.

But it's the old story of the glass. Is it half full? Or half empty? Sarofim would say half full. He thinks we can deal with these problems and will probably do so. Energy? What other industrial country is potentially able to supply most of its own needs? A little conservation here, a little technology there, a good dose of incentive and we'll stop making all those sheikhs so rich. The glass is half full.

It was pessimism that drove so many money managers into bonds in the mid-to-late 1970s—like sheep to slaughter. Why gamble on the stock market, they argued, when they could get 9% guaranteed in bonds? Famous last words! Sarofim: "ERISA made them lean toward what they perceived as the most conservative investments, which meant, in effect, being confiscated at a known rate in bonds rather than having a fighting chance in stocks." Since 1977 the nonequity portions of his accounts are strongly biased toward shorter-term maturities of three to five years. With the characteristic caution that tempers his optimism, he says: "I can't see clearly more than two or three years out."

There's the forest-and-trees syndrome at work here. Most Americans under 40 have known nothing but good times, and when troubles arise they think the world is coming to an end. They have never experienced hard times and don't know how to put problems into perspective. Sarofim was born in Cairo and saw its teeming poverty from an early age. His well-to-do family was from Upper Egypt, the land that produced the builders of the pyramid of Cheops and, millennia later, of the Suez Canal. Back before the Christian era his ancestors were producing village treasurers and village scribes. He was cradled in a 7,000-year-old civilization, he was a Christian in an overwhelmingly Muslim country. He saw his father being forced by the Nasser government to sell his ancestral farmlands. When all this happens, you know what trouble is. Twenty-percent interest rates, 8% unemployment and $35-a-barrel oil don't seem quite so earthshaking to a person like that. Certainly he is Americanized now, a real Texan. But no one sheds his ancestry and Sarofim's is an important part of his investment vision. Having experienced its opposite, Fayez Sarofim appreciates the strengths of this democratic society. When he looks at his native land's severe poverty, he can't panic over the fact that Americans no longer work quite so hard as they once did or that they are reduced to driving small cars and turning down their thermostats.

Like millions of immigrants before him, Sarofim came to America seeking success and found it. His first job after graduate school was in the finance department with Anderson, Clayton, where he earned $200 a week before he left in 1958. Fascinated with the stock market, he quit to form his own investment management firm. His father, reduced in circumstances but still fairly affluent, gave him startup capital and some sound advice:

"He told me not to draw a salary but to pour any profits back into the business so as to give the clients the best possible service. The profits would come later. My father said, 'Don't stint on travel. If an out-of-town client calls with a problem, get on an airplane, go see h

A few years after he started in bu for himself, Sarofim married Stude, a niece of George Brown, the founders of the powerful oilfie vices firm of Brown & Root, now sidiary of Halliburton. Today Sa has no trouble supporting his we wife in the manner to which she customed. His firm grossed aroun million in fees last year. FORBES fig must have netted about 35% to pretax and estimates Sarofim's sh that is about $3 million last year.

What part did his wife's conne and his own family money play in fim's success? It would be foolish none. It would be equally foolish that his advantages did more tha him a fast start. The day is lon when wealthy people and big co tions turn their money over to pl young Ivy Leaguers out of F. Scott gerald; the modern world is too co tive for that.

It is true that one of Sarofim's e coups was the landing of Rice Uni ty's endowment, then $65 million his uncle-in-law was a major Rice factor. But the chairman of Rice's ees, Robert Herring, says of Sa "His performance has been fantasti

The probable truth is that Sa earned his way into the Texas esta ment through his success and n other way around. "Fayez," says a associate, "would have made the tacts and landed the clients witho ing married to George Brown's n But don't look to Sarofim for an connection. He says he has few f clients and no Arabs at all. "The never seem to call me," he says sounding terribly worried.

What really attracted all that mo the Sarofim firm—and what mak views so interesting vestors—is its depen consistency. If a m manager doubles money one year and loses half of it the you had a nice rid you haven't gone where. Arthur Rock sharp San Francisco ture capitalist who old school friend and ness associate, "Fayez has an un knack of finding s thing good early an patience to stay wit He was, for exa along with Rock, an investor in Tele which has been pe the most sensational ket performer of the 1970s. He was also in Intel. The firm

Arthur Rock, an old schoolmate of Sarofim
Even in business school, "Fayez had the knack."

seed money for Intel, and now 8% of the stock, bought at an aver-2, that now sells around 65. Rock "His style hasn't changed over the He finds value and sticks with it gh business cycles. I hardly know anager who really stays with situa- as long as Fayez does.". (Sarofim e holds a stock, on average, for four e years. His portfolio turnover: a 5% a year.) One reason he invests s that he likes to stay with strong- l entrepreneurially run companies he says, "seem to produce better ment results, when they have their y—and their egos—on the line."

is brilliant book on the stock mar- Forbes columnist David Dreman s of what he calls "configural rea- g" as being the secret of great in- ent managers. By configural rea- g he means the abili- see a situation as a tapestry, not as sep- threads and colors. ontrasts this with r reasoning," which s from A to B to C. analysts, Dreman use linear reasoning: npany's earnings will therefore the stock o up. "In a configural em," Dreman writes, decision maker's in- tation of any single of information es depending on he evaluates many parts."

it is with Sarofim. ps because of his na- he was among the o think through the cations of the vast es sweeping the e East. He saw what happened just and just after 1973 as more than a that would have a clear beginning clear end. He saw it as part of a nuing process that would change ociety. This—along with his Texas ation—helped swing him early and y into energy stocks and to stay them even when things seemed to rning sour for them in the mid- ties. Sarofim knew that higher en- prices would be inflationary, and would be bad for capital-borrowing abor-intensive industries, so he ed steels, electric utilities and hous- After energy stocks he likes the s of companies in aerospace, com- s and semiconductors, or compa- with strong consumer franchises rugs; they, too, could raise prices to ensate for inflation.

ne of this is terribly profound. What guishes Sarofim is his ability to big judgments and stay with them, nyed by headlines and by TV news-casters. That and his perfectionist attitudes. A former employee describes Fayez as extremely demanding because of those high standards, but with a saving grace. "Suddenly he'd throw his arm on your shoulder and let you know there was nothing personal; he wasn't asking anything he wouldn't ask of himself." Arthur Rock remembers being with Sarofim on a double date in their college days. When their girls left for the ladies' room, Sarofim didn't fall back on small talk. He pulled out a slide rule and worked out a financial problem from earlier in the day. Fayez Sarofim's insight is a product of meticulous concern for details. But he isn't hypnotized by the detail. Fittingly for a man from an ancient civilization, his viewpoint is secular rather than cyclical.

Daniel Breen, number two man in the firm and a part owner, has been with Sarofim since 1969 after a long career at IBM and later in mutual fund management. If Sarofim's dynamism dominates the firm, both men share the setting of basic investment policy. Breen rather than Sarofim is the marketing and administration man; he brings in the accounts. Any way you cut it Breen and Sarofim, and the firm's five other key policy committee members who have been together for over ten years, are fundamentalists, starting with views on the economy, politics and society and then focusing on industries and companies.

Sarofim in his office

A view of the U.S. economy through a 7,000-year-old tradition.

We asked Sarofim what he thought about the much-touted Modern Portfolio Theory. He laughed and told a story: "One of our clients said, 'You fellows are doing MPT—right out of the book!' Hah!" Sarofim was doing it before anybody heard of MPT. "What we really do is try to position ourselves in what we hope will be the strongest areas over the next three to five years." You can call it Modern Portfolio Theory if you like.

What does Sarofim see immediately ahead? He sees a less severe recession than some others, one chiefly affecting the already-clobbered housing and auto industries. Corporate profits? He looks for an overall decline of not more than 10%. He's written off this year but thinks that by mid-1981 an upswing will be under way though he thinks it will be gradual enough not to exacerbate inflation—slightly slower than the early upswing in 1976 and 1977.

There will be some sizable bankruptcies this year, he agrees, but the stock market he thinks has already discounted most of the bad news. What it hasn't discounted is the American resiliency Sarofim constantly refers to. This brings him back to his stock market prediction: "I can see the Dow at 1000 by early 1981, and as high as 1200 sometime that year." A 40% to 50% gain in the Dow would surely bring a lot of timid money back into the market.

What stocks has he been buying for his customers? Don't look for any surprises here. Among domestic oils he has been buying Indiana Standard, Pennzoil, Mesa, Kerr-McGee, Atlantic Richfield. Among the internationals: Exxon, Mobil, SoCal. In oil service, there is Halliburton, ODECO, J. Ray McDermott, Cooper Industries. Is he always going to be so bullish on the energy stocks? Not necessarily. He sees changes for the energy companies by the mid-Eighties, when per capita consumption of petroleum will be declining significantly under conservation efforts, and domestic oil will no longer be the bargain it is now relative to imported oil. But that's still several years and many points away.

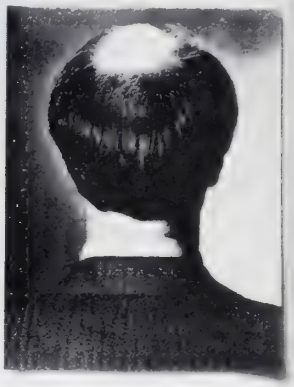
Among the consumer franchise stocks he likes and is buying are: Philip Morris, Eli Lilly, Revlon, Warner Communications. At the right price, he'd give serious thought to buying Procter & Gamble. His biggest defense stock holdings: McDonnell Douglas and General Dynamics, though he's selling some of his General Dynamics: "We doubled our money in two years and we're taking profits, but I still like the company."

You might dismiss Fayez Sarofim's bullishness as the overenthusiasm of an immigrant to whom the U.S.A. has been especially good. But don't forget that Sarofim has made money for himself and his clients out of his essential faith in America. How many wealthy short-sellers do you know? ■

How other co
can catch up

1. Introduce your first plain paper copier in 1959. This will give you 21 years' experience in a fiel (xerography) that's 21 years old.

2. Offer copiers that do more than just copy. Such as copiers that collate, staple, and even keep an eye on themselves to help keep operating troubles to a minimum.



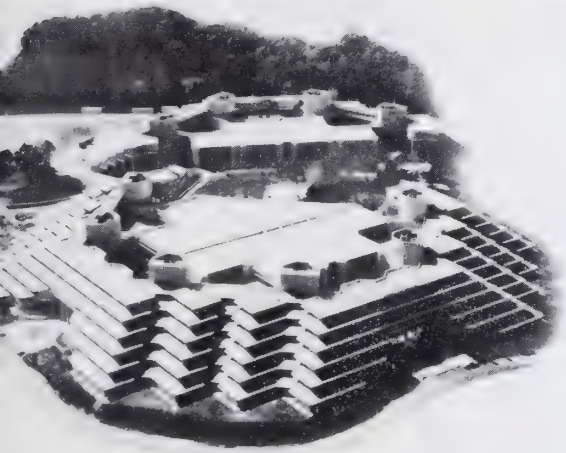
3. Develop a vast research capability so you can come out with more innovations than anyone else. Innovations such as the first copier that automatically copies on both sides of a piece of paper, the first one that reduces, etc.

4. Offer the largest selection of copiers and duplicators. The total so far is 21 (and growing). Because the larger your selection, the better you'll be able to give people exactly what they need.

5. Besides offering more copiers, off more different ways to pay for th We have the most flexible financi arrangements in the business—an more different ways to buy or lease our copiers than we even have copiers.

EROX® is a trademark of XEROX CORPORATION

er companies with Xerox.



6. Build the largest training facility in the business—a multi-million dollar facility in, say, Leesburg, Virginia. Then train and re-train your people continuously. Because one of the best ways to keep your customers happy is to take better care of them.

7. Put together the largest service force in the business—over 13,000 people. Because the best way to get new customers is to keep your current ones happy.

8. Maintain a larger parts inventory and a larger parts distribution system than anyone else. Because another good way to keep your customers happy is to take er care of their copiers.

Of course, the above is just a partial listing. You could do everything on our list and still not catch up with Xerox.

But it's a start.

XEROX

Unlike Fayez Sarofim, Robert Gintel is sitting on a lot of cash and is prepared to continue to sit a while longer. He explains why.

"We've got real problems in this country"

By John Merwin

IT'S 1,500 MILES FROM Fayez Sarofim's watchpost in Houston to Robert Gintel's money management firm in Greenwich, Conn. Both these savvy money managers are looking at the same facts, the same figures and the same country. They've even had some of the same training, having been classmates at the Harvard Business School, class of 1951. But they are coming to opposite conclusions. If to Sarofim the glass is still half-full, to Gintel it is already half-empty.

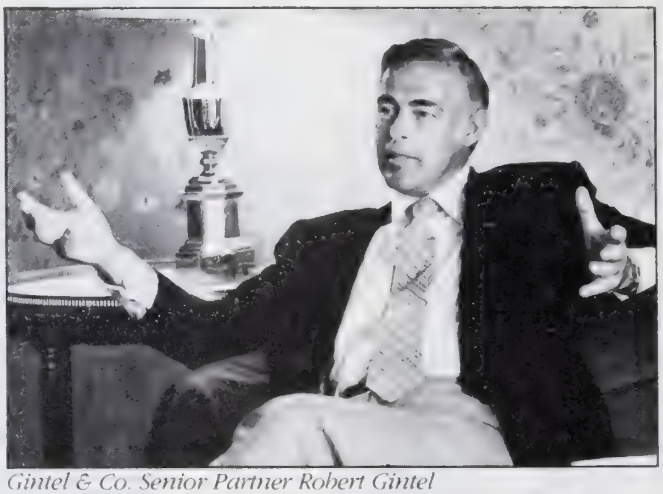
Consider this: Men like Gintel don't normally sit with cash or equivalent. Stocks are the game at Gintel & Co. And yet right now senior partner Gintel prefers cash to stocks and has for some time. Last summer, Gintel sold half a million shares of Interway Corp., a container leasing company, at $42 a share. He had bought the Interway stock for his clients seven years earlier at $5 to $10 a share.

That's the pot of gold at the end of the rainbow that should make a traditional optimist like Gintel, well known for sniffing out promising special situations, hunger for more. But it didn't. Gintel paid his capital gains taxes, then socked away most of the cash in short-term investments, waiting for the dawn of a better day.

Eleven months later Gintel still waits.

Since last July's payday Gintel and his staff have done little significant buying, with two notable exceptions: discount retailer Zayre Corp. and container leasing company XTRA Corp. Gintel's clients own more than 5% of each company, which he views as low P/E special situations. But more than half of the $52 million under Gintel & Co.'s fee management lies in T bills or money market funds, an unusual stance for Gintel, who generally manages to keep most of his clients' money fully invested in the stock market.

What's wrong? The Gintel of the Fifties, Sixties and Seventies was aggressive. Since 1975, Gintel's three private investment partnerships have appreciated impressively, by 193%, 228% and 293%, respectively. But the Gintel of 1980 has lowered his sights and is playing it safe instead. He has been sitting on short-term investments covering more than half his assets.



Gintel & Co. Senior Partner Robert Gintel
Prepared to take the risk of waiting.

Sinking into an overstuffed couch, the deeply tanned, 52-year-old Gintel outlines his worries. "We've got real problems in this country and they won't go away. The 20% interest rates and runaway inflation are an indication of how bad things are getting. In every recession interest rates and inflation grow worse." Shaking his head, Gintel continues. "Back during the Fifties, money was cheap and inflation was low. Today the volatility of the markets makes me cautious. I'm less optimistic about committing funds for the long term."

His record of moving in and out of undervalued stocks is better than most, beginning in the Fifties with discount pioneer E.J. Korvette, through the Six with McDonnell Douglas and into Seventies with winners Church's F Chicken and Interway. Gintel's re isn't spotless, of course. He bought a on the New York Stock Exchange at very height of the old bull marke 1969, paying $500,000—near to an time record. A few years later he rode horrendous secondary-stock bear ma down during 1972-73, after individ and institutions abandoned his sec tier stocks. Overall, though, his firm an exceptionally good record.

"Wall Street has voted on the l term health of the U.S. by the downw reevaluation of securities," Gintel plains. "Look at the 'growth' stocks, 3M and Eastman Kodak. They use sell for twice their current prices, e though today 3M and Kodak are mak far more money than they did back 1973."

Most of Gintel's long-term worries typical Wall Street complaints—the tional debt is too large and 58% of budget covers transfer payments, suc social security and welfare, which ar productive uses of money. Moreo government is too large and is strang business, he says. "We're liv with a mentality that enc ages consumption and disc ages savings," Gintel adds, " that's a poor atmosphere long-term investing."

Gintel laments the rise of "speculative investor" at the pense of the long-term pla "The truth is, many invest who have been playing the b and-hold strategy don't h much to show for it during last ten years," he expla "They've been unable to f many good long-term inv ments, so they've stampe into highly speculative o like gambling or precious me stocks."

What seems to be worrying Gint that this recession might turn out t worse than other post-World War II cessions. Or that it might be followed a kind of inflation worse than anyth we have yet experienced. Gintel doe necessarily think we are heading for saster, but he is less confident than Fa Sarofim that the country and the soci remain basically sound. "If conservati gain a foothold in Congress or the Wh House this fall, that's likely to help market," Gintel adds.

Gintel, in short, wants some reass ance before he'll move. "By summer maybe fall, we'll see how bad this rec sion is going to be," he says. "We waiting for a better buying opportunit know there's a risk in waiting—we m be stampeded into a bull market—l I'm prepared to take it." ■

nvent a way to give a sick computer a brain scan.

Gould did it, electronically.

Today's computers have intricate nervous systems and well-developed brains. Two good reasons why they often need neurological help.

But how can you possibly diagnose a computer's ills when all its many complexities are molded into integrated circuits?

Gould solved the problem with a little electronic magic of its own. For Gould's commitment to R&D has resulted in a versatile line of Logic Analyzers that check to make sure a computer is thinking correctly—providing instantaneous visual and numerical indications of the condition of its sophisticated circuitry.

In the decade of the '70's, electronic solutions like this have helped increase our average annual net earnings by 22.1%, earnings per share 11.5%, and sales by 19.5%.

And when you consider the number of problems still waiting for technology to answer, you can see that our future looks even more rewarding than our past. Gould Inc., Dept. QF, 10 Gould Center, Rolling Meadows, IL 60008.

GOULD

An Electrical/Electronics Company

THE MANUFACTURERS HANOVER TOTAL BANKING COMMITMENT:

IT'S WORKING IN CORPORATE HEADQUARTERS...

...from the office of the treasurer to the loading platform...for medium-size companies and local businesses as well. It represents the complex commitment Manufacturers Hanover has made to create banking relationships of the highest standards—in lending and operations.

In cash management, for example, Manufacturers Hanover has developed a flexible phased approach that accommodates the customer's total requirements—from simple lockbox plans to ultra-sophisticated computer-to-computer links. TRANSEND,℠ our fully automated global communications network, not only provides transaction and cash position information, but also allows corporate treasurers to initiate a wide range of financial transactions worldwide.

In other operations areas, our stock transfer and registration system provides unparalleled accuracy in serving more than three-and-one-half million shareholder accounts.

Credit. Operations. And the integration of both to create a total financial relationship of the highest standards—anywhere in the world. Consider the source.

MANUFACTURERS HANOVER

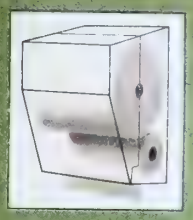
The financial source.Worldwide.

Member FDIC

Piggyback.

Stack up your roll towels and use every inch of paper you buy.

Piggybacking is how Fort Howard's Commander I® cabinet can help reduce your maintenance costs. You can save two ways.



Commander I helps reduce paper waste. It has room for a full roll plus the "stub roll," the leftover roll your maintenance crew may be removing and throwing away. When the stub roll runs out, the Commander I begins dispensing the new roll. Automatically.

Commander I helps save maintenance time, too. When you fill the Commander I with our 850-foot No-Rivl® roll, you have the longest roll towel in the business. That means fewer refills. And less chance of running out.

See how you can stretch your maintenance dollar. Call the Fort. Dial (312) T-H-E-F-O-R-T. And start using every inch of paper you buy.

Fort Howard Paper
Green Bay, Wisconsin 54305

Call the Fort

Dial (312) T-H-E-F-O-R-T

Call the Fort is a service mark of Fort Howard Paper.

ler new IRS proposals, some businessmen could discover that they e to pay taxes on what they thought *were interest payments.*

Of debt and taxes

Numbers Game

WAS JUST LAST JANUARY when sident Carter spoke at a Small siness Association conference: gathering fulfills an ambition of proclaimed Carter, his voice g with love for the entrepreneur- it, "to have the voice of small s heard loud and clear in Wash- " Cheers from the audience.

rently that voice of small busi- as reduced to a whisper as it d the White House and ap- ed the Treasury Building. The IRS t come up with a set of proposed ions that may prove disastrous for mall firms already in existence— rpedo even more of those just up. The proposals involve cer- nds of bonds, notes and deben- hat businessmen had, in the past, upon as debt instruments. Hence- he bureaucrats have ruled, these *equity*, not debt.

's a vital distinction, of course, ompanies can deduct interest on om income for tax purposes—but idends on equity. So, it is obvious isinessmen want finance instru- to be considered debt—and the nts them to be equity.

olks at the IRS have taken a long come up with these regulations. years. Under the Tax Reform Act , the taxmen were authorized by ss to come up with a clear line of ation between debt and equity. he world waited for the taxmen heir duty, confusion abounded. obert Willens, a manager at Peat, k, Mitchell, & Co., "This is prob- e most litigated area of corporate . All we have to go on now is case d that's very confusing."

now, few businessmen have ard of the new regulations. Fewer derstand them. Tax accountants Big Eight accounting firms generally agree that these are among the most complicated rulings to come out of the IRS in a long time—and that's saying something. But cut through the complexities and one thing becomes clear: Even the authors of the rulings weren't aware of the huge problems the regs will bring to small corporations.

The element of the regulations that will probably be most troublesome could be called the "hands-off" provision. It deals with the situation in which someone—an individual, or for that matter a venture capital firm—loans a company a substantial sum of money and also owns more than 5% of the firm's stock. Since many companies give a major lender a hunk of stock as a so-called equity kicker, this is a common situation.

Here's what will happen under the new regs. Let's say Phil Jones has loaned United Clamp $1 million at 12% and Clamp has given Jones an equity kicker of 5% of the firm's stock. So every month, regular as clockwork, Clamp sends Jones an interest payment of $10,000. And at the end of three years, Clamp is due to pay Jones back the $1 million principal.

But the clamp market contracts and United Clamp runs into hard times. It's going to have troubles meeting the monthly payments. In the past, Jones could simply allow Clamp to miss a couple of payments.

Under the new regulations, however, if Jones lets Clamp change any of the terms of the note—in a way he wouldn't have allowed if he weren't an interested shareholder—then all that debt is magically transformed into equity. Clamp can no longer deduct those monthly payments of $10,000. Pretty painful. But the shift could cause even bigger trouble than you'd think. Why so? Because when United Clamp recovers and tries to pay off the principal, the IRS will claim that the $1 million is a kind of huge dividend and will tax the lender, too.

Explained a Treasury official, "We're looking for an arm's-length relationship with principal shareholders. We're not sure that exists in many cases." Translation: If you're a creditor, you're a creditor. If you behave like a shareholder, you'll be taxed like one. That's the bureaucratic view. Business people and accountants see it differently.

"It's really a double whammy," complains Leon Nad, a partner with Price Waterhouse & Co. "It hits in both the disallowance of interest for the company and the repayment of the principal as a dividend for the lender."

Maybe it's really a *triple* whammy. Says William Comfort, chairman of Citicorp Venture Capital, which provides funds for a number of small firms: "This is really putting the burden on these companies just at the time when they can least afford it." That's certainly true. It won't hit when a company is doing well. But when things start to turn sour and a helping hand is needed, the firm will get a fist in the face instead.

As if the hands-off aspects of the regulations aren't painful enough, the rules will also inhibit companies from borrowing heavily to get going in the first place. If a company finds itself—on purpose or by accident—with a debt-to-equity ratio of 10-to-1 or higher, then the IRS counts *all* that debt as equity. Again, the interest payments and principal are turned into dividends and taxed as such.

Try to raise money under those rules. Just try! It might seem like so much debt would be a rarity, but that's not the case. A number of fledgling firms are forced to operate almost entirely on a good idea and a lot of debt. Leveraged buyouts often start with that much debt, on the assumption that much of it can be erased fairly soon by a reliably high cash flow. Says Robert Purcell, vice president of corporate planning for Walter E. Heller International Corp., one of the nation's

largest financiers of small business: "We're often involved in a transaction in which a large company might be selling a division or something to an employee or to a group of people. In that sort of transaction, the debt-to-equity ratio is often larger than 10-to-1."

The new ruling could bring such leveraged buyouts to a grinding halt.

The Treasury's logic in the 10-to-1 rule is that, when a company is operating with that much debt, there is no distinction between debt and equity. Peat, Marwick's Willens explains the Treasury's reasoning: "Equity is supposed to be the money that is at risk in a venture. Well, Treasury felt that if a firm has that much debt, then all of the capital—including the debt—is at risk. So, it should all be considered equity, in their view."

Perhaps the biggest problem with the rules may not be in any single provision, but in their overall complexity. Says Norman Siegel, a partner with Arthur Andersen & Co., "A company could issue what it believes to be a debt instrument and then, at the end of the year in which it is issued, discover to its dismay that, because of the way the firm is capitalized, what it thought was debt is actually a class of stock. The more I go into these regulations, the more confused I become. An accountant who is not a specialist in taxes could get utterly caught by surprise by these regulations if they go into full force and effect."

"A company could issue what it believes to be a debt instrument and then, at the end of the year in which it is issued, discover to its dismay that what it thought was debt is actually a class of stock."

Naturally, the rules do contain some helpful provisions, like a safe harbor, under which a firm can be sure that will stay debt. That safe harbor when a company has a debt-to-e ratio of 1-to-1 or better and has borr the money at a "reasonable" rate terest. What's reasonable? For one t the maximum reasonable rate is preted as the prime rate. That's anc probably unintended, slap in the fa small businessmen who need to b heavily—and can't get the prime ra their financial condition.

These regulations have not yet into effect. The period for comme runs through June 23, and there wil lot of discussion before the proposal passed. But the IRS will doubtless g way on most of the regulations.

Says Price Waterhouse's Nad, "I r think Congress just intended to get certainty in this area, and Treasury the opportunity to tighten things think they've overkilled." Isn't that cal? Isn't that what usually happens Congress leaves too much leeway t bureaucracy?—*Richard Greene*

It takes a sensational bull market to make most warrants wo much. But hope springs eternal and many warrants trade heavily.

Stock warrants— a way to get leverage

Statistical Spotlight

No one would want to exercise an American Airlines warrant, unless the company's stock were to double from its recent price of around 8. So why bother with the warrant: If you think AA is cheap why not just buy the stock? The warrant is attractive chiefly to those who think AA is so cheap that the stock could not only double but treble or quadruple between now and when the warrant expires on Apr. 1, 1984.

A warrant is a certificate giving the holder the right to buy from the company a share of the company's stock at a fixed price. There's lots of leverage in warrants. An American Airlines warrant currently fetches around $3. It gives the holder the right to buy the stock at $14 a share. Nobody would want to exercise the warrant with the stock selling at the current price. But suppose AA rose to $26 a share—which is, after all, its approximate book value. At that price you could sell the warrant, exercisable at $14, for at least $12. Your investment of $3 is now worth $12. You would have quadrupled your money. So that's the appeal. It's like betting on a long shot at the races: A small commitment gets you a chance at big winnings.

Hard times often bring warrants to the fore. A company having trouble selling debt may attach warrants to the bonds as a sweetener. Chrysler and First Pennsylvania, both of which already have warrants outstanding, may soon have other huge issues as a consequence of their massive refinancing.

The advantage of warrants over call options is that warrants usually h a much longer life than call opti Some warrants are perpetual.

If you play the warrant game, be pared for volatility. Greyhound stock gained 12% this year, but its warr came close to doubling. It can work other way, too. Emhart stock is d 15%, but its warrants are down clos 40%. The point is: Whichever way stock moves, the warrant is likely move in the same direction, but m faster. Thanks to the bear market, m warrants now sell for $10 and un Hope—or despair—is the name of particular game. The goal is to buy rants when most of the hope has b squeezed out of their price.

Warrants nearly always sell at a pre um over their exercise value. People the premium to get the leverage, bu

"ANYONE WHO'S THINKING OF SPENDING $24,000 FOR A LUXURY CAR SHOULD TALK TO A PSYCHIATRIST."

—Dr. John Boston, psychiatrist and Volvo owner, Austin, Texas

John Boston, a Texas psychiatrist, owns a '73 Volvo. He bought that Volvo because, as he puts it: "I had mired what Volvo had done in the area of safety. The seemed well-built. It offered solid European ftsmanship without the inflated price."

We wanted Dr. Boston's opinion of the new Volvo LE, which has a full assortment of luxury features as ndard equipment—and a price tag thousands of dol- s below that of the well-known German luxury sedan:

"It's an excellent value. In my opinion, the individual ying this car would have a strong, unsuppressed need to get his or her money's worth. He or she would probably also have a strong enough self-image not to need a blatant status symbol."

When we told him that some people were actually paying five to ten thousand dollars more for a luxury car, Dr. Boston's response was characteristically succinct.

"That's not using your head."

Finally, we asked Dr. Boston if, when he was ready for a new car, he'd consider the Volvo GLE for himself.

"I'd be crazy if I didn't."

VOLVO

A car you can believe in.

vos start at $7,965. GLE model shown suggested retail price $13,310. P.O.E., taxes, dealer preparation, delivery charges and Lamda Sond " additional. © 198 VOLVO OF AMERICA CORPORATION

the expiration date nears, the premium shrinks; time is running out on it. Nobody ever said warrants were riskless.

Many warrants now outstanding aren't good for much but wallpaper. Walter Kidde is a good company but the chances are very slight that its stock will hit the exercise price of 90—it is currently 44—before the warrant expires less than a year from now. So the warrants sell for just 75 cents apiece. Fuqua Industries' 1980 warrants are even cheaper: 12½ cents each. Not many people think that this $14 stock will go past 55 before the warrants expire at the end of this year. Bangor Punta's look helpless, too.

Warrants with distant expiration dates should not be used for interior decorating because they do retain value. For example, TWA 1986 warrants are exercisable at a price of 31 and the stock s about 13. Braniff International is ex able at $22.96 per share; the stock Since the expiration date on both is still well into the future, the wa retain considerable value *(see* Who's to say that TWA won't sell a 30 sometime between now and the 1986? A long shot is, after all, a shot.—*Robert J. Flaherty and Steve Kichen*

The stuff of dreams . . . and nightmares

Below, a list of 50 warrants varying widely in their quality and prospects.

Company	Expiration date	Common shares per warrant	Exercise price of warrant	Recent price of warrant	Recent price of common	Required stock appreciation[2]	Change since year-end stock	Change since year-end warrant	Warrants outstanding (000)	Warrant as % of commo outstandi
Alleghany Corp	perpetual	1.00	$ 3.75	16	19⅜	2%	–27%	–32%	100	1%
American Airlines	4/1/84	1.00	14.00	3	8⅜	103	–15	–20	5,000	17
American Broadcasting	1/2/82	1.50	24.00	16½	26¾	1	–31	–52	908	3
American Financial	12/2/80	0.50	11.25[1]	5½	28	20	18	26	488	8
Applied Solar Energy	8/6/85	1.00	10.00	2⅜	7⅛	74	43	90	770	32
Atlas Corp	perpetual	1.00	31.25[1]	4⅞	12¾	183	–14	8	1,005	34
Bangor Punta	3/31/81	1.06	55.00	11/16	19¼	173	–24	–45	1,943	41
Bio-Response	10/16/84	1.00	4.00	15/16	2⅝	102	0	–5	1,200	22
Braniff International	2/1/86	3.18	73.00[1]	5⅞	7	254	–16	–10	480	2
Caesars NJ	10/31/81	1.00	5.00	8	12¼	6	–11	–11	1,100	7
Capital Energy	12/24/84	1.00	1.50	2⅛	3¼	12	4	6	1,120	19
Charter Co	9/1/88	1.00	10.00[1]	15⅝	22⅝	13	–36	–46	3,750	19
Chrysler	6/15/85	1.00	13.00	3½	6¾	144	0	27	5,000	7
Commonwealth Ed A	perpetual	1.00	30.00	6⅞	21⅜	73	7	6	315	NS
Commonwealth Ed B	perpetual	1.00	30.00	6⅞	21⅜	73	7	4	234	NS
Compact Video Systems	12/4/81	1.00	8.25	6¾	13¾	9	41	54	650	33
Compucorp	9/30/83	1.00	2.00[1]	1	2⅛	41	–35	–27	500	32
Dialysis Corp of America	6/29/80	1.00	3.00	1½	4	13	–6	20	230	13
Eastern Air Lines	6/1/87	1.00	10.00	4	8¼	70	3	0	2,219	9
Emhart	7/24/82	1.51	39.00[1]	9	26⅞	18	–15	–38	275	2
Fed-Mart	8/28/81	1.00	14.00	13/16	9	65	–33	NA	1,638	28
Financial Corp of America	11/1/83	1.74	17.00	8⅞	11⅜	31	–23	–41	38	1
First Pennsylvania	5/8/83	1.00	20.00	13/16	5	316	–44	–46	2,200	14
Frontier Airlines	3/1/87	1.06	10.29[1]	4½	10½	6	–10	–14	677	9
Fuqua	12/31/83	1.14	43.50	4½	14¼	196	–23	–14	672	5
Fuqua	12/31/80	1.00	55.00	⅛	14¼	287	–23	–80	281	2
GDV (City Investing)	7/15/83	1.02	27.70	1½	9¼	210	–21	–25	2,040	13
GEICO (Govt Employees)	8/1/83	2.08	24.00	3¾	10¼	24	–11	–19	649	3
Goldfield Corp	12/31/84	1.00	1.12	1¼	2⅛	12	89	NA	4,825	28
BF Goodrich	8/15/81	1.00	30.00	1⅛	18⅛	72	–4	29	1,500	9
Greyhound	5/15/84	1.00	30.00	1⅞	16¼	96	12	15	1,167	3
Greyhound	5/14/83	1.00	23.50	3⅛	16¼	64	12	92	6,141	14
Horn & Hardart	11/23/81	1.00	6.00	15¼	20¼	5	–24	–15	404	13
Instrument Systems	5/28/81	1.02	40.00	1/16	⅞	NM	–7	0	833	3
Walter Kidde	4/29/81	1.00	90.00	¾	44	106	–2	–45	200	2
Loews	12/29/80	1.00	40.00[1]	37¼	65⅜	18	11	22	6,277	53
Mattel	4/5/86	1.00	4.00	4½	7⅛	19	–7	–5	4,939	31
MCI Communications	11/17/80	1.00	2.50	3 13/16	6	5	–4	–2	2,945	9
Modern Merchandising	6/1/82	1.00	4.20	5	8⅝	7	–37	–50	417	5
Patrick Petroleum	4/9/81	1.00	20.00	4½	16	53	NA	NA	1,500	19
Rapid-American	5/15/94	1.00	35.00[1]	4¼	18⅝	111	–14	0	5,431	107
Rapid-American (McCrory)	3/15/81	0.50	22.50	5/16	18⅝	145	–14	–38	472	9
Reliance Group	7/1/87	1.00	15.86[1]	50½	64⅛	2	9	11	599	9
Resorts International	8/1/84	1.00	53.00	9⅝	32½	93	4	–35	750	6
Textron	5/1/84	1.00	11.25	11½	22½	1	–14	–22	75	NS
Tomlinson Oil	3/6/82	1.10	7.25	10⅛	15¼	4	–8	–10	750	32
Total Petroleum	12/31/80	1.00	10.00[1]	13½	21¾	8	–12	–18	1,631	11
Trans World Corp	5/3/82	1.00	10.00	6	12⅞	24	–22	–25	742	5
Trans World Corp	10/1/86	1.00	31.00[1]	4⅜	12⅞	174	–22	–31	2,790	17
US Air	4/1/87	1.04	18.00[1]	3¾	7⅞	166	13	20	477	4

[1]Company allows the exchange of certain corporate bonds usually at face amount when exercising warrants. [2]Required stock appreciation. The percentage gain necessary f the common stock price to equal the sum of the exercise price and the present market price of the warrant. NS: Not significant (less than 1%). NA: Not available. NM: N meaningful

Sources: KV Convertible Fact Finder; Value Line Options and Convertibles. FORBES

A bright future is: being in an industry no other industry can do without.

Today, it is difficult to imagine a business in any major industry being managed efficiently, or even producing its products, without some reliance on electronic information processing equipment.

That's why the information processing industry is growing so fast.

And MAI, as a major multinational manufacturer, marketer and servicer of Basic Four® business computer systems, is well positioned to participate fully in this industry's growth.

For several reasons:

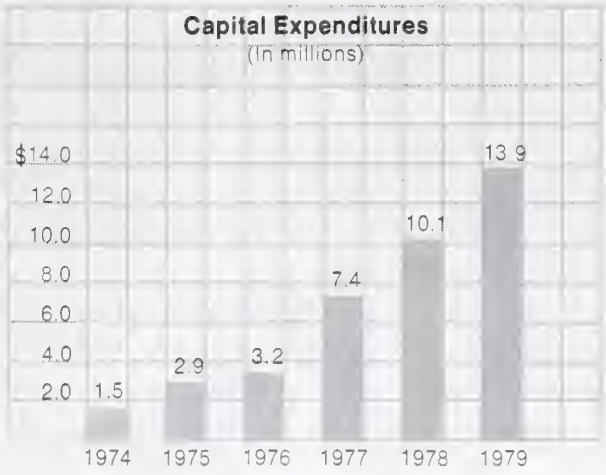
By supplying useful information faster, and often at lower cost, MAI's products and services help businesses manage their operations more efficiently. An important advantage, particularly in a time of recession.

Our increasing investment in research and development keeps our products technologically and cost competitive.

Our products' acceptance in rapidly expanding worldwide markets, combined with our financial and management capabilities, are reflected in our revenue growth over the past five years.

And our capital expenditures, which have increased substantially over the same period, will continue to increase in 1980. An expression of our confidence in a bright future.

To learn more about MAI write for our Annual Report to: Management Assistance Inc., 300 East 44th Street, New York NY 10017.



It Takes A Smart Company To Make Computer Technology Simple.

MAI

The MAI Companies: Basic Four Corporation • MAI International Corporation • Sorbus Inc.

Since March the Fed discouraged banks from making acquisitions loans. But in view of company problems in digesting the ones they've already made, the Fed need not worry.

Buyers beware!

By Michael Kolbenschlag

IN THE GOOD OLD days before Paul Volcker, Jimmy Carter and a 16%-to-20% prime rate, a corporation making a large leveraged buyout could count on swallowing that buyout expense in a few months with scarcely a hiccup. But today corporations that recently made big cash acquisitions face a real test of financial ingenuity.

Take Santa Fe International in Orange, Calif. In January Santa Fe, a biggie in oil well drilling (1979 revenues, $535 million), took on a $270 million two-year bank loan at 105% of prime to finance the purchase of California engineering and construction firm C.F. Braun & Co. When the deal was set last November, it looked like a standard "bridge loan" that Santa Fe guessed would be tied to a 12%-to-15% prime until it could be replaced with long-term financing.

But with the prime at 18% to 20%, the Braun bridge loan became an absorbing problem for David F. West, Santa Fe's 54-year-old senior vice president of finance. At a 20% prime, the loan cost Santa Fe an eye-popping $4.5 million per month in interest in March, versus Braun's 1979 pretax earnings of only $2.5 million a month. Now the bleeding is less by maybe $1 million or so a month, but it is still serious.

West, however, views the problem with remarkable calm: "In all honesty we didn't expect a 20% prime rate peak. "It caught us by surprise. But I'm not uncomfortable. We're diversified worldwide, so our business won't be hit that hard by a U.S. recession."

West may not be uncomfortable, but he must be squirming as he watches those interest charges impact Santa Fe's profits. Last year Santa Fe posted a first-quarter 71-cent-per-share loss when it wrote off $17 million in termination charges for its drilling business in Iran. This year was supposed to be a comeback with a doubling of oil income to $80 million from the company's 16% share of the North Sea's Thistle field and an estimated $300 million in record drilling revenues. Now, however, thanks to the Braun loan and the sky-high prime rate, West's hope of making up for 1979 with a banner year in 1980 has been dashed, and the company settled for unspectacular 61-cents-per-share earnings for the first quarter.

If misery does indeed love company, David West has the fullest sympathy of

John R. Hill Jr., the 57-year-old chairman and CEO of Dallas-based Gifford-Hill & Co., a diversified materials construction firm. In late 1979 Hill went to his bankers for a $237 million loan to buy Amcord Inc., America's sixth-largest cementmaker (FORBES, *Oct. 29, 1979*). Did Hill guess that the prime was headed for 20%? "You've got to be kidding," he jokes in a dusty, west Texas drawl. "We thought we were being very conservative when we guessed 12.5%."

Hill, like West, is now paying for the error of his interest-rate guess to the tune of as much as $5 million in interest charges per month. Those payments have yielded a first-quarter loss o million instead of what should have a big gain. You can almost see the in his eyes as he says, "Our ope profit was 2½ times what it was in But that interest expense is painful!

Normally, companies like Santa F Gifford-Hill would take their short-debt quickly to the bond market for term funding. But neither is looking way now. "I just don't see the go ment attending to the basic needs c economy," says West. "The basic d will keep inflation high and mak bond market unattractive."

So what do they do? Liquidati assets is one answer. John Hill is trying to raise $90 million to $100 lion by divesting several Amcord a ties, including two cement plants i Northeast. For West the plan is t tempt to raise $150 million or s selling some large offshore constru barges and perhaps even some o modest U.S. oil (8.5 million barrels gas (115 billion cubic feet) reserves his company is hoarding as tightly Frenchman hoards gold bars.

But the sale of assets—other tha and gas reserves—in a developing r sion takes time. That's why, in July, ford-Hill will do what more and companies will be doing in the mo to come, and turn to a big U.S. insur company for a long-term loan of million at rates of 11.25% and 12.2 All the proceeds will go to pay d short-term debt. "I thought the were highway robbery when we ne ated them back last year," says Hill. I would have to have been feeblemi not to take the precaution. It's d fortuitous that we did."

What's certain is that, facing the i est heat, both companies must do s thing to reduce their short-term The matter is particularly urgent and ficult for Santa Fe, because to secure loan for the Braun deal it had to ob waivers from its normal lenders to ceed its agreed debt ceiling of 50% capital. Santa Fe's debt is currently of capital, making divestiture or an e ty offering the only real alternat Lenders have given the company u Jan. 31, 1981 to get the debt back within limits.

With tales like these, it's not sur ing that merger and acquisition act for the first quarter of 1980 was at lowest point in ten years, down 2 from 1979. That's not to say that me and acquisition activity is nonexist Says Carl Ferenbach, head of corpo advisory services for Merrill Ly White Weld Capital Markets Grou New York: "Two months ago, I thou we'd be sitting around twiddling thumbs. But inflation has remained h stock prices are low, and as more mo becomes available mergers and acq

BARCLAYS BANK HELPS RALLI CONEY THREAD COTTON FROM CALIFORNIA TO KOREA.

Ralli Brothers and Coney, one of the world's leading cotton merchants, exports to the fast-growing cotton industry in Korea. Here cotton is made into everything from high fashion dresses to neat, simple white uniforms for the schoolchildren.

The Barclays Bank International group helps Ralli Coney finance the movement of cotton crops throughout the world. Barclays in California provides finance for Ralli Coney to buy from Californian farmers. In Korea, payment is made through letters of credit handled by Barclays in Seoul.

We have our own people and our own branches wherever they are needed for international trade. The Barclays International group is in over 75 countries spanning five continents. We are in Paris, Sydney, Tokyo and Dubai. As well as in San Francisco and Seoul.

We help most of the world's successful international companies. Somewhere there is a market where we can help you.

ASK BARCLAYS FIRST

er 90 Barclays offices in North America. Corporate enquiries will be welcomed by:
e President, Corporate Business Development, Barclays Bank International, 200 Park Avenue, New York, N.Y. 10017. Telephone (212) 687 8030.
ior Vice President, International Banking, Barclays Bank of California, 2971 Wilshire Boulevard, Los Angeles, California 90010. Tel. (213) 385 1501.
e President, International Banking, Barclays Bank of California, 111 Pine Street, San Francisco, California 94111. Telephone (415) 981 8090.
clays Canada Limited, Suite 3505, Commerce Court West, Toronto, Ontario M5L 1G2. Telephone (416) 862 0594.

tions will remain popular. We're as busy as we've ever been."

But these deals are not as often being done with short-term financing. Marsh & McLennan Cos. is forging ahead in its $550 million-plus attempt to take over London insurance broker C.T. Bowring & Co., but half of that will be for stock. And Signal Cos. of Beverly Hills tried to put together a stock deal to acquire Ampex Corp. of Redwood City, Calif. for $415 million, but Signal's anemic stock price stymied it. Not long ago, Signal might have been tempted to borrow the necessary money, but not now.

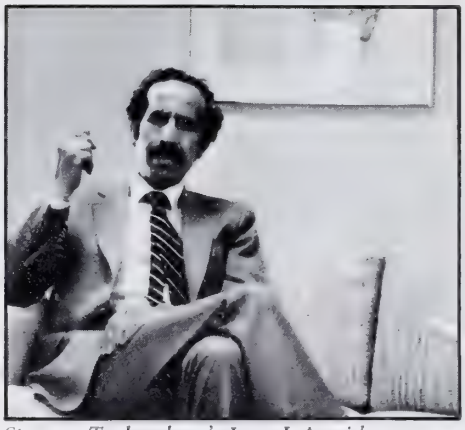
So, without doubt, the biggest cash spenders are now foreign companies. Divestiture-minded U.S. corporate treasurers have created a rich spread of opportunities for interested foreign parties, who have been quick to respond. For example, France's Pernod Ricard has acquired the Liggett Group's U.S. wine and spirits subsidiary Austin Nichols. Britain's Sir James Goldsmith has been angling for Diamond International Corp.; Brascan, Ltd., the giant Canadian holding company, has a kitty of up to $900 million it would like to spend on U.S. acqui and the Swiss conglomerate Sand recently tried unsuccessfully to ta the Baltimore spicemaker McC & Co. Foreign buyers promise t 1980 another record year for dir eign investment in the U.S., whic bled last year to $12.5 billion. good news to many a corporate tre Anybody's cash, foreign or dome welcome provided it can help down the heavy debt burden that ed from the interest-rate eruption ly 1980. ■

A potential $1 billion computer giant is taking shape. It has no name yet, but it does have great prospects—and a rich uncle.

Software girl weds hardware boy

THE SUN WAS BEATING warmly off downtown Denver's new glass-and-steel canyons, and up in the mountains the roads were getting soggy with melting snow, when Louisville, Colo.'s Storage Technology and Sunnyvale, Calif.'s Amdahl Corp. announced in early April their plans to merge. Scarcely a week passed before the enormous unbroken sky over the Denver plateau turned steel gray as a driving snow fell with midwinter implacability. In Storage Technology's sprawling headquarters the storm warnings were up as President Jesse I. Aweida stalked from meeting to meeting, running 30 to 40 minutes late all day, talking to analysts, journalists and irate stockholders. The brilliant, Palestine-born ex-IBM program manager was trying to make a convincing case that the deal was fair to Storage Technology stockholders. It took some explaining.

No one was questioning the logic of the proposed merger. What could make more sense than a marriage of the two leading satellites in IBM's $23 billion universe, especially if it would create a complete computer systems company with close to $1 billion in sales? Storage Technology, with $479 million in sales last year, is the largest independent producer of tapes and one of the largest producers of disks and other computer



Storage Technology's Jesse I. Aweida
The deal took some explaining.

storage equipment—most of it plug-compatible with IBM products. Amdahl, run by Eugene R. White, did $300 million last year—off slightly from 1978—and is based on large $1.5 million-plus central processing units that are also plug-compatible with IBM products from mainframe to software. Both companies had been holding their own against IBM. Amdahl's big computers were capable of processing information bits at less cost in an IBM system than IBM's own big 303X series. Storage Technology managed the same trick in peripheral equipment. Its new disk-drive memory, which sells for about $45,000, stores tw much information as IBM's curren model, and costs 30% less. The looked like a natural.

What some people were compl about was that it looked as if S Technology shareholders were g shortchanged in the deal. Amdahl holders would get one share of th combine for every one of the 16.8 m shares they held, but Storage Techn shareholders would get ¾ of a sh the combine for each of the 24.6 m shares they held. In other word shareholders would wind up wit 52.6% of the merged company.

Why so, when in 1979 ST earne million to Amdahl's $17.1 million the companies been merged in 19 would have generated 70% of the ings. Granted, ST is more heavily aged, but its earnings have been gr at the rate of 55% a year while Am have been declining recently.

Amdahl is operating under an om black cloud called the H series from which is expected to hit the marke mentarily. If the small-to-interme 4331 and 4341 mainframes intro last year are any guide, the big H bound to undercut Amdahl's main uct line. At least that's what Am customers seem to think. Last year dahl's usual 95%-to-5% sales-to-lea tio plummeted to 60%-to-40% a market waited to see what IBM's b would do. Result: Amdahl's ear sank from $48 million to $17.1 m on declining sales.

Storage Technology has never much better than that 60%-to sales-to-lease ratio itself, but the d ence is that the bulk of its lease third-party deals where ST gets its ey up front, as if it had made a sal has other advantages. Its product li more comprehensive. Along wit high-performance tapes and disk-st subsystems, it produces peripheral original equipment manufacturers Burroughs and Honeywell, who com with IBM. It has even ventured int telecommunications field with a multiplexor called COM2, which m

Want to see lightweight plumbing that won't rust?

Borg-Warner Chemicals supplies plastic for pipes that is lighter, less expensive and easier to work with than the metal plumbing it replaces. That's Borg-Warner today. And there's more to come. In eight major markets, Borg-Warner is a company to watch.

BORG WARNER

Watch Borg-Warner

For an annual report write: Borg-Warner, Dept. 50, 200 South Michigan Avenue, Chicago, Illinois 60604

it possible for two telephone calls to use the same outgoing line simultaneously.

Amdahl gamely predicts it will match IBM's H hardware and has been rapidly upgrading its software capability to keep pace with the stutter-step introduction of IBM equipment. Last year, for example, roughly one-third of its research budget went to software, not hardware. The Storage Technology linkup could give Amdahl a stronger software capability than any of IBM's competitors.

So why the merger terms that value the companies about equally? Says ST's Jesse Aweida: "Our earnings last year would have been much more comparable if Amdahl hadn't been doing so much leasing lately." Still, Amdahl and Storage Technology proceeded in the first week of May to modify their agreement slightly so that ST shareholders' ownership of the combine increases a percentage point or so, to 53.9%.

Interestingly, the new company doesn't yet have a name. What i have, apparently, is a rich uncle wealthy Japanese computer manuf er Fujitsu, Amdahl's godfather con and 28% stockholder, was increasi stake in Amdahl so as to give it 15% interest in the combine. The combine will have a debt ratio of far higher than the industry nor that rich uncle across the Pacific come in handy in a cash-guzzling ness like data processing. ■

As almost every investor knows, Squibb has a prospective wonder drug. Dick Furlaud may have bet his company and his career on it.

Will the wonder drug do wonders for Squibb?

By Thomas Jaffe

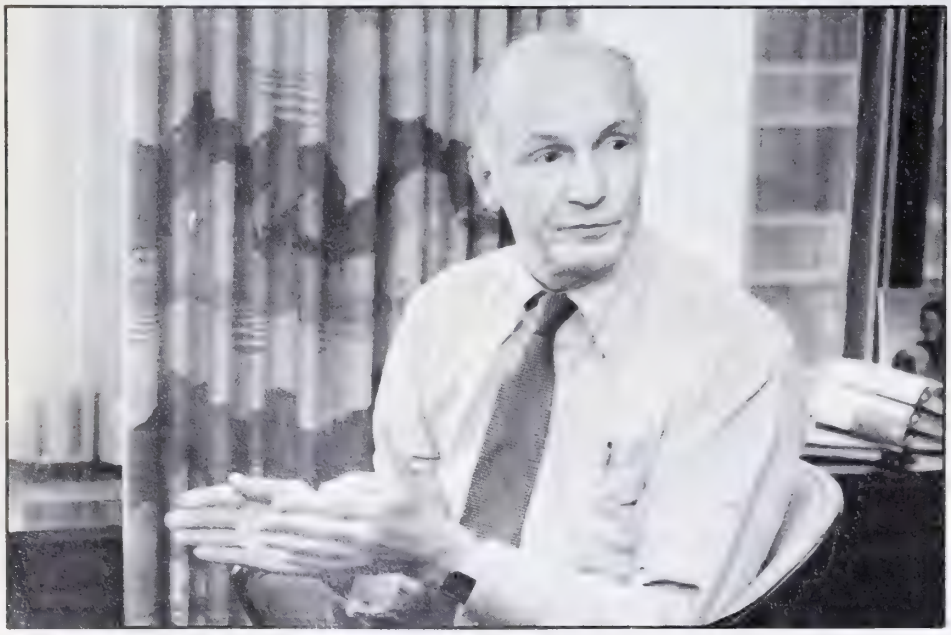
"WE CAN'T ALLOW OURSELVES to be mesmerized by Capoten," says Squibb Corp. Chairman Richard M. Furlaud, closing his eyes and gently moving his slender hands across his temples. "Any division that can't have normal growth without Capoten is a problem."

Capoten, of course, is Squibb's new antihypertension drug, expected to get Food & Drug Administration approval for marketing in the U.S. next year; in Europe it should be available sooner. Wall Street analysts have been all aflutter about Capoten for over a year now, saying it will add anywhere from $150 million to $425 million in annual revenues by 1984. This is no small increment to a company that grossed $1.5 b last year. Manufactured in Puerto and Ireland, where costs and taxe lower, the new drug could, analyst ure, carry pretax profit margins as as 50% and could add from $1 a sh $3 to Squibb's earnings. Anticip that the gain could be on the *high* the market currently puts a multi 11 on Squibb's stock, higher tha recent record would seem to justify

Furlaud says that Squibb has a lot than Capoten going for it. He tal Squibb becoming "one of the tw three leading health-care and pers care companies in the world." Squibb has a long way to go. Firs quired by and later spun off from th Olin Mathieson conglomerate in Squibb has hardly set the world on f the dozen years Dick Furlaud, a Pr ton- and Harvard-educated lawyer been running it. The company's r on equity has deteriorated from 19 1969, his second year as CEO, to 1 in 1979. Squibb's 12% five-year r on capital ranks last among the top ethical drug companies. Earnings share growth since 1975 ranks seve

Squibb, to be sure, has some things going for it. Its $349 million (s Life Savers division produces the r ber one chewing gum brand in the Care-Free. Life Savers' Bubble Yu the leader in the fastest-growing ment of the confection trade. But market dominance has been achiev great cost; total corporate advert has grown from $60 million to $120 lion in the past three years, much o increase going into chewing gum. Wm. Wrigley Jr. and Warner-Lan fighting hard for market share, p margins have been squeezed and no is in sight any time soon.

Squibb's $243 million Charles o Ritz fragrance and cosmetics busi smells sweeter. Its Enjoli and Jean lines are among the four bestselling grances in the U.S., and during the two years Opium has become the fas growing premium-priced perfume i world, despite (or perhaps because o stiff $120-an-ounce price tag. But after a 59% gain in operating earn



Richard M. Furlaud of Squibb Corp.
Headed for the New World, or only the Canaries?

r on 30% higher sales, Ritz' 8.6% can't measure up to Eli Lilly's th Arden division, which makes on slightly less volume.

s to improve profitability in ceuticals have proven costly. side from staggering product de- ent costs, Furlaud has had to shell estimated $75 million over the ee years just to bring his plants ricter FDA standards. The plain hat Squibb has spent too little for 1979, for example, in the midst three-year $300 million capital g binge, Squibb plowed back just f stockholder's equity into the s. The average for the 14 largest mpanies is 11.1%.

last two years, moreover, Squibb ged over $110 million worth of its acquire four companies in medi- tronics, instruments and hospital s—which has resulted, thus far, in st dilution of profits. This rela- ew business will require substan- sions of cash. Furlaud has raised in recent years by selling off sev- d divisions which did not happen he current mold. Among those re Tetley Tea, Martinson coffee ch-Nut baby foods. More recent- reed to unload its restaurant and catering operation. But the drug, cs and confection businesses will lly require a good deal of added Capoten alone cost $70 million op.

finance growth, Squibb has to poten," says drug analyst David lum of Paine Webber Mitchell ns. "It needs it to prosper. In an as competitive as drugs, you ep pace with a reinvestment rate 0%. Nor can you compete longer ith a return on equity of just MacCallum is bullish on Squibb. mates that the company's per- rnings can grow 12% a year over t three years—even without Ca- But not all analysts agree. "Take l the speculation about Capoten would cut the price of Squibb's y 20% overnight," says Frederic erg of Goldman, Sachs. Says an- alyst: "The company's still spin- wheels."

s office high above Manhattan's Park, Dick Furlaud speaks in ng terms of the drug industry's future and of Squibb's prospec- e in it. "Any intelligent layman we're coming closer than ever to a g theory of biology—actual under- g of the cell," he says. "It's just as a time as when Vasco da Gama umbus embarked on voyages that shape modern geography."

poten doesn't hit the jackpot, urlaud may find that, instead of ring the New World, he's only in the Canaries. ■

Asarco is positioned for the 80's...

with **sound investments in worldwide mining.**

Asarco has substantial holdings in three of the world's great mining companies:

- M.I.M. Holdings Limited, an Australian company 48.9% owned by Asarco, produces copper, silver, lead, zinc and coal and has interests in nickel and iron ore.
- Southern Peru Copper Corporation, 52.3% owned by Asarco, operates the Toquepala and Cuajone copper mines which together produced 321,000 tons of copper in concentrates in 1979.
- Mexico Desarrollo Industrial Minero, S.A., 34% owned by Asarco, is a major producer of copper, silver, gold, lead, zinc, coal, coke and fluorspar in Mexico.

Asarco also owns Lac d'Amiante du Québec, Ltée in Canada which in 1979 produced 288,000 tons of asbestos fiber or approximately 5% of world production of this important material.

For more information about Asarco, send for a copy of our Fact Book. ASARCO Incorporated, 120 Broadway, New York, N.Y. 10005.

ASARCO
Metals & Minerals

The traditional tools that analysts use to forecast bank earnings ha been overwhelmed by the precipitous moves in interest rates. present, the important question is: Which bank has the most room maneuver, thanks to floating interest rates?

Casing the banks

Statistical Spotlight

TYPICALLY, TO FIND OUT how bank earnings are likely to fare in the near term, you look at asset growth (mostly loans) and loan losses first. But in the context of upheavals in short-term interest rates, that seems not the way to do it. The prime rate rose by an unprecedented 5% within two months earlier this year. It is about 4% below that peak now. What matters most, at the moment, is how quickly the banks can respond to these rate changes. And that is largely a function of how big a share of their assets is tied up in floating-rate loans and investments compared with floating-rate liabilities.

With short rates falling sharply, those banks with a relatively lower percentage of assets compared with liabilities at floating rates *(see table)* presumably will earn more. That's because the interest-rate costs on their floating-rate liabilities—mainly purchased money—will fall with the drop in interest rates. And if they have relatively fewer assets earnings at floating rates, the spread will move in their favor. Needless to say, the second group of banks, with relatively larger holdings of floating-rate assets than liabilities, probably will do worse on balance.

Consider the case, albeit a special one, of Citibank. With its heavy empha consumer credit—meaning a lot of sumer loans earning the 12% maxi under New York State usury laws bank's parent company, Citicorp, lo to have a disastrous second quarter first-quarter earnings plunged to 67 from $1.01 the year before. But wit sudden and unexpected cuts in s term rates, the outlook improves kedly to perhaps 80 cents this qu The differences in the proportio floating-rate assets to liabilities, t fore, can produce significant effec short-term earnings, always allo that there are other factors affe bank profits. Below, a group of pos gainers and losers as the cost of m falls.—*Ben Weberman*

Bankers' handicap

Beneficiaries of the interest rate decline

Bank	Floating-rate assets as percent of floating-rate liabilities (the lower the ratio, the more earnings will gain)* 12/31/79	12/31/78	Interest spreads (difference between the bank's loan earnings and its cost of money) first quarter 1980	first quarter 1979	Total assets 12/31/79 (millions)	Earnings per share (latest four quarters)	Recent price	Indicated dividend	Yield
AmeriTrust	97.6%	118.1%	3.63%	3.78%	$ 5,402	$6.31	30	$2.40	8.0%
Chemical Bank	97.8	97.1	2.27	2.39	39,375	9.16	38¾	3.48	9.0
Citibank	100.5	101.4	2.05	2.71	106,371	4.02	21	1.42	6.8
Continental Illinois	94.4	97.0	1.81	2.00	35,790	4.96	27½	1.60	5.8
FNB of Chicago	95.8	98.3	1.17	1.67	30,182	2.53	14⅛	1.20	8.5

Victims of the interest rate decline

Bank	Floating-rate assets as percent of floating-rate liabilities (the higher the ratio, the more earnings will suffer)* 12/31/79	12/31/78	Interest spreads (difference between the bank's loan earnings and its cost of money) first quarter 1980	first quarter 1979	Total assets 12/31/79 (millions)	Earnings per share (latest four quarters)	Recent price	Indicated dividend	Yield
Chase Manhattan	106.1%	112.3%	2.27%	2.44%	$64,708	$9.54	42⅜	$2.80	6.6%
Irving Trust	122.7	120.2	2.60	2.43	16,702	8.43	37⅜	2.72	7.3
Manufacturers Hanover	112.7	114.1	2.32	2.42	47,675	6.55	30⅛	2.52	8.4
Mellon Bank	105.1	109.3	2.61	2.81	13,508	5.25	29	1.84	6.3
Texas Commerce Bank	119.0	109.7	3.52	3.33	9,260	6.01	49¾	1.60	3.2

*Bank figures, all other numbers [illegible] holding company
Source: Salomon Brothers

Use this card. It's the easiest way to use me.

If you're on the move in business, use me, your public phone, as your branch office. And I'm even easier to use, with a Bell Credit Card. It's as fast to use as giving the operator your card number. You get a monthly record of your calls, too. Airports, hotels, motels. Wherever your business takes you, use your Bell Credit Card. To apply for it, just call your Bell Business Office. The Bell Credit Card is the key to your branch office.

I'm your branch office.

Bell System

Nabisco and Digital. When a partner

At Nabisco, two major divisions had the same major problem. Their nationwide distribution systems were still far too dependent on manual operations.

The Biscuit Division was processing 18,000 multi-item orders every day. All by hand.

The Food Services Division was keeping track of 300 separate stock-keeping units for over 10,000 customers. All by hand.

Deciding to computerize was easy. Deciding on a computer company was anything but. In fact, there was really only one company for the job. Digital.

You see, Nabisco needed a partner. They needed a long-term commitment from a leading computer company. And they were very demanding.

They wanted both computer systems decentralized, since most users were at the local level. They wanted them interactive, so users could have quicker, more direct access to information. They wanted them technologically advanced, so many different operations could be performed. And they wanted each system to be nationwide, with full support service in over 170 locations.

Now, lots of computer companies can meet some of these requirements. Digital could meet them all.

Digital is the acknowledged leader in interactive minicomputers. Each Nabisco

as needed, the leader came through.

ion was able to get a system that was
nwide, yet completely localized.
Digital makes a broader range of state-
e-art hardware than anyone else. So
sco was able to get the right computer
ach local application.
Finally, Digital's support service is second
one. Even with a huge, national client
Nabisco, Digital was able to ensure a
onse time of four hours or less in most of
70 locations.
As Nabisco found out, Digital has every-
g you could want from a leader. Broad
luct line. Advanced technology. Innovative
epts. Superb support. And unsurpassed
erience in the interactive computer field.

So whether you're a corporate giant like Nabisco or a small business trying to reduce your paperwork, you, too, can be partners with the leader.

Digital. For computers. And computer solutions.

Digital Equipment Corporation, 129 Parker Street, Maynard, MA 01754, Dept. PK3-2/M18. European headquarters 12 av. des Morgines, 1213 Petit-Lancy/Geneva. In Canada Digital Equipment of Canada, Ltd.

digital

If you confiscated the salaries and bonuses of these 801 CEOs, y could keep the federal bureaucracy going for about two hours.

It ain't hay, but is it clover?

MAYBE IT'S A SIGN OF THE TIMES. Maybe it has always been this way. If you were to judge U.S. industry by the salaries paid to chief executives, you could only come to the conclusion that entertainment was the nation's chief occupation. Warner Communications boss Steven J. Ross picked up a package that was worth $5,105,000 last year, but he was shaded by Metro-Goldwyn-Mayer's Frank E. Rosenfelt, who staggered off to the bank under the burden of $5,214,000. Even Jane Fonda, Robert Redford or Barry Manilow would have had a hard time beating that.

After these entertainment moguls, however, it was all downhill—relatively speaking—for America's corporate brass. Not that any one of them was down to his last tax shelter. Five of the top people took home the equivalent of over $3 million. Another 60—count them, 60—did $1 million or better.

But before you start wondering what they do with all that money, keep this in mind: If you look at the definitions of the various categories of compensation that FORBES statisticians used for the first time this year *(see below)*, you will see that a good bit of this is not exactly cash you can put a rubber band around and put in your pocket. Profits from exercised options and increases in the value of stock appreciation rights, for instance, depend on the market price of the company's stock. And exercised options create tax liabilities without producing the cash to pay them, although some companies lend their brass money to exercise them and to pay their taxes.

If you disregard the options and stock appreciation rights and focus only on salary and bonus, you'll find that only seven CEOs got more than $1 million last year. Any top popular entertainer would fire his or her agent if they did no better than the average top executive. Nor are top executive salaries even close to the levels of top people back in the 1920s, when income taxes were negligible and dollars were worth much more. Still, it's not hay.

Among those seven who came away with more than $1 million, you'll find the name of Chrysler's Lee Iacocca, who now gets $1 in salary for his services to the embattled automaker. But that cut only took effect last September—before then Chrysler paid him at a rate of $360,000 a year and kicked in $1 million for benefits he lost by leaving Ford Motor Co., his previous employer.

It probably won't come as a surprise that the higher a company's revenues, the more it tends to pay its chief. The median salary and bonus for the 189 corporations that grossed $500 million or less was $186,000. Move up a step to the 154 companies in the $500 million-to-$1 billion category and the median is $273,000. The 380 companies with revenues of $1 billion to $5 billion pay a median salary and bonus of $379,000. And the 78 grossing $5 billion or more had a median of $542,000. The average salary and bonus paid to the CEOs of all 801 companies was $351,900.

Before you start muttering about who needs that kind of money, keep something else in mind. These sums are taxes. Federal, state and local taxes probably cut most salaries in half. Executives can, of course, reduce the burdens by using various tax shelter and deferral plan then they don't get to *spend* the money. So while mo corporate brass aren't in want, they can't be said to be ming in the stuff.

Let's put these salaries further into perspective: Add salaries and bonuses paid to the chief executive officers 801 companies covered in this survey. You come up grand total of $281,883,000—about $141 million after ta that a lot of money? Well, it would keep the federal g ment going for about two hours. These combined s amount to a good deal less than the nation spends on ch gum or jogging shoes and seem a relatively small price for the quality of leadership that, on the whole, keeps th standard of living as high as it is in the face of everythi government and OPEC do to bring it down.

Definitions

Using the Securities & Exchange Commission's reportin mat, compensation for the year 1979 has two main c nents: Cash and cash-equivalent forms of remuneration (and bonuses plus options, rights and benefits) and conti remuneration.

Salary and bonus

includes—in addition to salary and bonuses—directors commissions as well as payments made on long-term i tive plans.

Options, rights and benefits

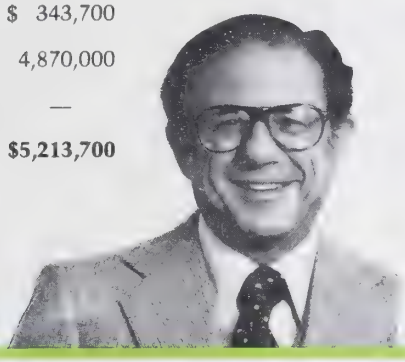
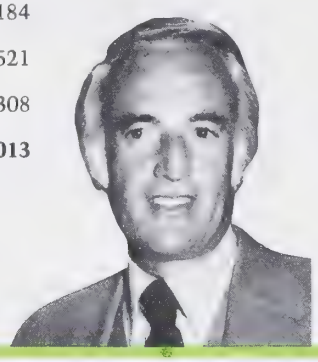
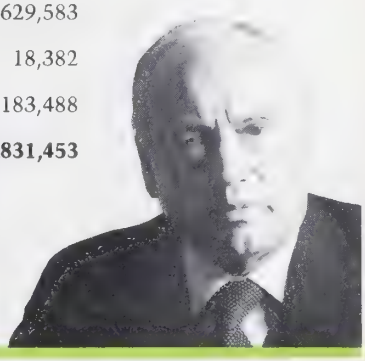
includes cash-equivalent forms of compensation such as pany-paid life insurance premiums, physical examinatio club dues, use of company car or plane and other fringe fits; also cash or shares paid in settlement of stock app tion rights (SARs) exercised (less amounts expensed a ported in previous years as "Contingent Remuneration") per profits" created by the exercise of stock options an value of restricted stock awards vested or released from re tions in 1979.

Contingent remuneration

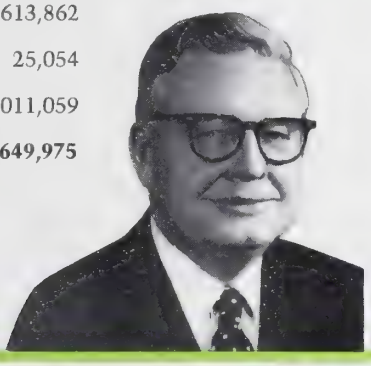
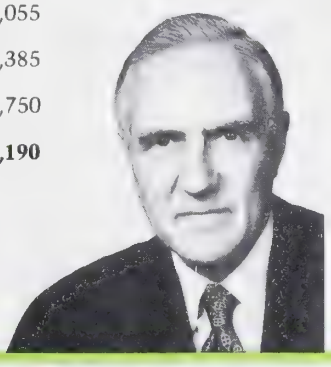
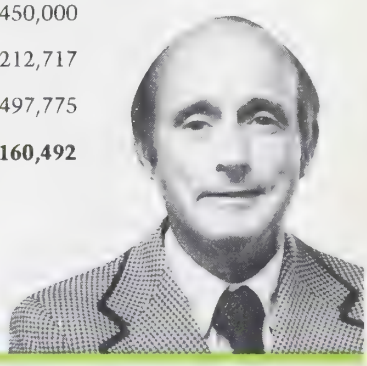
includes the increase (or decrease) in the value of stock a ciation rights remaining unexercised at the end of the y well as accruals made in 1979 under pension plans, de compensation agreements or performance-related long incentive plans.

Who Gets The Most Pay

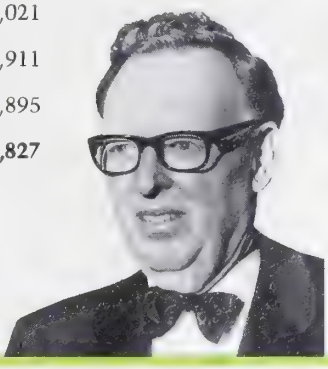
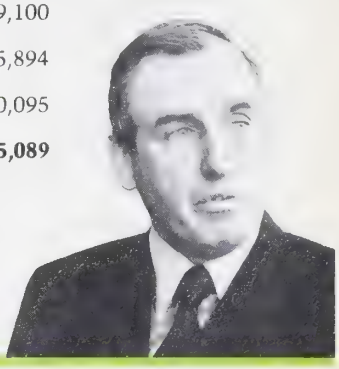
	Frank E. Rosenfelt Metro-Goldwyn-Mayer	Steven J. Ross Warner Communications	William A. Marquard American Standard
bonus†	$ 343,700	$1,210,184	$ 629,583
benefits†	4,870,000	2,695,521	18,382
ent†	—	1,199,308	3,183,488
	$5,213,700	**$5,105,013**	**$3,831,453**

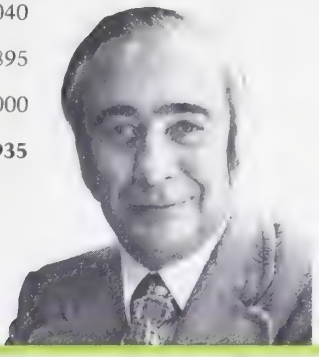
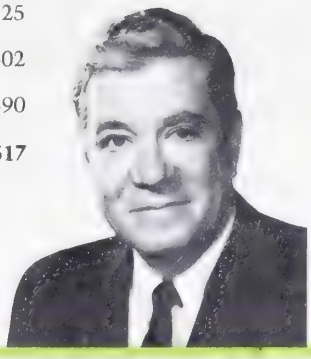
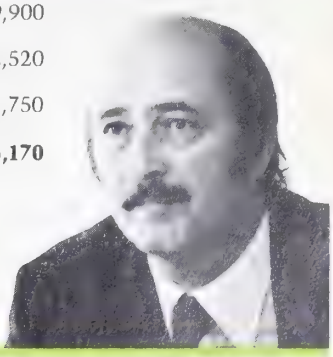
	John E. Swearingen Standard Oil (Indiana)	Rawleigh Warner Jr. Mobil	E. Grant Fitts Gulf United
bonus†	$ 613,862	$1,187,055	$ 450,000
benefits†	25,054	2,406,385	2,212,717
ent†	3,011,059	46,750	497,775
	$3,649,975	**$3,640,190**	**$3,160,492**

	Robert A. Charpie Cabot	Howard B. Keck Superior Oil	George T. Scharffenberger City Investing
bonus†	$ 597,750	$ 648,021	$ 729,100
benefits†	—	18,911	5,894
ent†	2,529,654*	2,218,895	1,850,095
	$3,127,404	**$2,885,827**	**$2,585,089**

	George A. Strichman Colt Industries	J. Hugh Liedtke Pennzoil	Michel C. Bergerac Revlon
bonus†	$ 631,040	$ 440,525	$ 899,900
benefits†	1,432,895	72,502	1,442,520
ent†	375,000	1,865,490	3,750
	$2,438,935	**$2,378,517**	**$2,346,170**

*Includes cumulative increase in market value of SARs. †See definitions on facing page.

Who Gets The Most Pay

Rank	Company	Chief executive (Age)	Compensation ($000) Salary & bonus†	Options, rights & benefits†	Contin-gent†	Total	Years served with company	as chief	Place of birth	p back
401	Abbott Laboratories	Robert A Schoellhorn (51)	277	26	103	**406**	7	1	Philadelphia, Pa	Tec
373	ACF Industries	John F Burditt (62)	383	4	44	**432**	31	13	Newton Center, Mass	F
80	Aetna Life & Cas	John H Filer (55)	541	29	371	**940**	21	7	New Haven, Conn	Inst
422	H F Ahmanson	William H Ahmanson (54)	317	16	52	**384**	30	11	Omaha, Neb	Administ
130	Air Prods & Chems	Edward Donley (58)	417	1	340	**758**	37	6	Highland Park, Mich	Tec
466	Akzona	Claude S Ramsey (55)	333	2	20	**355**	30	13	Asheville, NC	Administ
740	Alabama Bancorp	John W Woods (48)	145	15	—	**159**	10	8	Evanston, Ill	B
322	Albertson's	Warren E McCain (54)	456	7	9	**472**	28	3	Logan, Kan	Op
261	Alco Standard	[1]Tinkham Veale II (65)	404	103	26	**533**	14	14	Topeka, Kan	F
359	Alexander & Alexander	John A Bogardus Jr (52)	324	25	92	**441**	29	1	New York, NY	Ins
304	Alleghany	Fred M Kirby (60)	243	63	187	**494**	22	13	Wilkes Barre, Pa	Inves
106	Allegheny Ludlum Inds	Robert J Buckley (56)	593	92	155	**841**	8	5	New York, NY	Oper
649	Allegheny Power	Charles B Finch (60)	184	8	21	**212**	26	8	New York, NY	
770	Allied Bancshares	Gerald H Smith (49)	121	19	–	**140**	21	8	Groveton, Tex	Ba
68	Allied Chemical	Edward L Hennessey Jr (52)	450*	442	104	**996**	1	1	Boston, Mass	F
103	Allied Stores	Thomas M Macioce (61)	500	200	150	**850**	20	8	New York, NY	
170	Allis-Chalmers	David C Scott (64)	563	40	81	**684**	11	11	Akron, Ohio	Tec
54	Alcoa	W H Krome George (62)	618	14	497	**1,130**	38	5	St Louis, Mo	Tec
110	AMAX	Pierre Gousseland (58)	445	383	—	**828**	31	3	France	Tec
669	Amerada Hess	Leon Hess (66)	200	—	—	**200**	47	7	Asbury Park, NJ	Fo
447	American Airlines	Albert V Casey (60)	318	50	—	**368**	6	6	Boston, Mass	F
731	American B & T Pa	Samuel A McCullough (41)	148	—	16	**164**	4	2	Pittsburgh, Pa	Ba
94	American Brands	Robert K Heimann (61)	521	22	321	**864**	26	7	New York, NY	Mark
37	Amer Broadcasting	Leonard H Goldenson (74)	750	282	331	**1,363**	46	30	Scottdale, Pa	
162	American Can	[2]William F May (64)	674	23	—	**697**	41	14	Chicago, Ill	Opera
228	American Cyanamid	Dr James G Affleck (57)	275	4	307	**586**	33	4	Yonkers, NY	Administr
578	American Elec Power	Willis S White Jr (53)	247	15	7	**270**	31	4	Portsmouth, Va	Tech
212	American Express	James D Robinson III (44)	479	6	131	**616**	9	3	Atlanta, Ga	Fi
55	American Financial	Carl H Lindner (61)	1,010	118	—	**1,128**	26	26	Dayton, Ohio	Fo
590	American Fletcher	Frank E McKinney Jr (41)	257	1	—	**258**	12	7	Indianapolis, Ind	Ba
449	Amer Genl Insurance	Harold S Hook (48)	293	36	37	**367**	9	1	Kansas City, Mo	Insu
71	American Home Prod	William F Laporte (66)	440	—	547	**987**	42	15	New York, NY	Administr
265	Amer Hospital Supply	Karl D Bays (46)	440	22	69	**531**	21	9	Loyall, Ky	
15	American Intl Group	Maurice R Greenberg (55)	279	1,618	24	**2,139**	19	13	New York, NY	Insu
90	American Motors	Gerald C Meyers (51)	509	52	313	**873**	18	2	Buffalo, NY	Tech
672	American Natl Ins	Orson C Clay (49)	193	6	—	**199**	9	2	Bountiful, Utah	Administr
580	Amer Natl Resources	Arthur R Seder Jr (60)	256	13	—	**268**	20	3	Oak Park, Ill	
445	American Petrofina	Richard I Galland (63)	230	141	—	**371**	22	11	Denver, Colo	
690	American Savings & Loan	Morris N Broad (45)	130	2	57	**189**	23	15	Burlington, Vt	Fin
645	American Security	[3]Carleton M Stewart (59)	195	1	21	**218**	4	4	Chicago, Ill	Ban
3	American Standard	William A Marquard (60)	630	18	3,183	**3,831**	27	8	Pittsburgh, Pa	Opera
360	American Stores	[4]William R Deeley (57)	332	2	106	**440**	23	2	Mt Vernon, Ohio	Administra
217	American Tel & Tel	Charles L Brown (58)	573	5	31	**609**	34	1	Richmond, Va	Operat
523	AmeriTrust	M Brock Weir (58)	285	11	13	**309**	7	7	Wenatchee, Wash	Ban
357	AMF	W Thomas York (46)	426	8	7	**442**	11	2	Archdale, NC	Fin
291	Amfac	Henry A Walker Jr (58)	476	7	28	**511**	32	12	Honolulu, Haw	Operat
364	AMP	Joseph D Brenner (63)	302	43	92	**438**	33	8	Carlisle, Pa	Produ
556	Amstar	Robert T Quittmeyer (59)	273	3	7	**284**	24	8	Peekskill, NY	I
485	Amsted Industries	Goff Smith (63)	293	—	42	**335**	33	6	Jackson, Tenn	
429	Anderson, Clayton	Thomas J Barlow (58)	317	32	31	**380**	34	13	Houston, Tex	Operat

†For FORBES definitions and methodology see page 116.

*Salary annualized.

[1]Succeeded by Ray B. Mundt, 2/12/80.

[2]Succeeded by William S. Woodside, 4/29/80.

[3]Succeeded by W. Jarvis Moody, 3/21/80.

[4]Succeeded by Lennie S. Skaggs, 2/6/80.

This advertisement is neither an offer to sell nor a solicitation of an offer to buy these securities.
The offering is made only by the Offering Circular.

2,388,958 Shares

Freedom Savings and Loan Association

Common Stock
($1.00 par value)

Price $14.75 per Share

Copies of the Offering Circular may be obtained from any of the several Underwriters only in states in which such Underwriters are qualified to act as dealers in securities and in which the Offering Circular may be legally distributed.

Dean Witter Reynolds Inc.

Bache Halsey Stuart Shields Incorporated
Bear, Stearns & Co.
Blyth Eastman Paine Webber Incorporated
Donaldson, Lufkin & Jenrette Securities Corporation
Drexel Burnham Lambert Incorporated
Goldman, Sachs & Co.
E. F. Hutton & Company Inc.
Kidder, Peabody & Co. Incorporated
Lehman Brothers Kuhn Loeb Incorporated
Merrill Lynch White Weld Capital Markets Group Merrill Lynch, Pierce, Fenner & Smith Incorporated
L. F. Rothschild, Unterberg, Towbin
Salomon Brothers
Shearson Loeb Rhoades Inc.
Smith Barney, Harris Upham & Co. Incorporated
Warburg Paribas Becker A. G. Becker
Wertheim & Co., Inc.
Alex. Brown & Sons
A. G. Edwards & Sons, Inc.
Ladenburg, Thalmann & Co. Inc.
Moseley, Hallgarten, Estabrook & Weeden Inc.
Oppenheimer & Co., Inc.
Thomson McKinnon Securities Inc.
Tucker, Anthony & R. L. Day, Inc.
Jerry Williams, Inc.
Advest, Inc.
Bacon, Whipple & Co.
Robert W. Baird & Co. Incorporated
Bateman Eichler, Hill Richards Incorporated
Sanford C. Bernstein & Co., Inc.
William Blair & Company
J. C. Bradford & Co.
Butcher & Singer Inc.
Crowell, Weedon & Co.
Dain Bosworth Incorporated
First of Michigan Corporation
Foster & Marshall Inc.
Janney Montgomery Scott Inc.
McDonald & Company
Piper, Jaffray & Hopwood Incorporated
Prescott, Ball & Turben
Rauscher Pierce Refsnes, Inc.
Raymond, James & Associates, Inc.
The Robinson-Humphrey Company, Inc.
Rotan Mosle Inc.
Sutro & Co. Incorporated
Wheat, First Securities, Inc.
Bruns, Nordeman, Rea & Co.
Craigie Incorporated
R. G. Dickinson & Co.
Allen C. Ewing & Co.
First Equity Corporation of Florida
Gruntal & Co.
Herzfeld & Stern
J. J. B. Hilliard, W. L. Lyons, Inc.
Interstate Securities Corporation
Jesup & Lamont Securities Co., Inc.
Johnson, Lane Space, Smith & Co., Inc.
Josephthal & Co. Incorporated
Morgan, Keegan & Company, Inc.
Moore & Schley, Cameron & Co.
Neuberger & Berman
Newhard, Cooke & Co. Incorporated
Parker/Hunter Incorporated
Wedbush, Noble, Cooke, Inc.

May 14, 1980

Who Gets The Most Pay

Rank	Company	Chief executive	Age	Compensation ($000) Salary & bonus†	Options, rights & benefits†	Contin-gent†	Total	Years served with company	Years served as chief	Place of birth	B back
287	Anheuser-Busch Cos	August A Busch III	(43)	511	3	—	**513**	23	5	St Louis, Mo	Mar
409	ARA Services	William S Fishman	(64)	376	11	14	**401**	40	5	Clinton, Ind	Fo
382	Archer Danls Midland	Dwayne O Andreas	(62)	417	9	—	**426**	9	9	Worthington, Minn	Fu
684	Arizona Bank	Donald B Tostenrud	(55)	186	3	4	**193**	21	2	Estherville, Iowa	Ba
733	Arizona Public Serv	Keith L Turley	(57)	156	4	3	**163**	28	6	Mesa, Ariz	Administ
77	Ark Louisiana Gas	Edward Sheffield Nelson	(39)	250	9	695	**954**	16	7	Keevil, Ark	
263	Armco	Harry Holiday Jr	(56)	459	1	71	**532**	31	1	Pittsburgh, Pa	Tec
549	Armstrong Cork	Harry A Jensen	(61)	286	—	—	**286**	39	2	Council Bluffs, Iowa	Mar
143	ASARCO	Charles F Barber	(63)	540	31	162	**733**	24	9	Chicago, Ill	
249	Ashland Oil	Orin E Atkins	(56)	537	20	—	**556**	30	15	Pittsburgh, Pa	
385	Associated Dry Goods	William P Arnold	(55)	170	50	201	**421**	12	1	Omaha, Neb	Mar
784	Atlantic Bancorp	Billy J Walker	(49)	126	—	—	**126**	31	4	Baker County, Fla	Ba
46	Atlantic Richfield	Robert O Anderson	(63)	777	20	450	**1,247**	38	15	Chicago, Ill	Produ
567	Auto Data Processing	Frank R Lautenberg	(56)	275	—	—	**275**	27	4	Paterson, NJ	Mar
195	Avco	James R Kerr	(62)	493	134	17	**644**	25	10	Las Vegas, NM	Administ
121	Avnet	Simon Sheib	(64)	755	6	30	**791**	20	10	New York, NY	
326	Avon Products	David W Mitchell	(52)	498	13	–43	**469**	32	4	Pasadena, Cal	
539	Bache Group	Harry A Jacobs Jr	(59)	293	—	—	**293**	34	3	New York, NY	Invest
317	Baker International	Earnest H Clark Jr	(53)	433	46	—	**479**	33	15	Birmingham, Ala	Tec
465	Baldwin-United	Lucien Wulsin	(63)	329	27	—	**356**	41	18	Cincinnati, Ohio	
62	Bally Manufacturing	Robert Mullane	(48)	350	698	7	**1,055**	9	1	Cincinnati, Ohio	Administr
710	Baltimore Gas & Elec	[5]C Edward Utermohle Jr	(65)	169	1	4	**173**	46	10	Baltimore, Md	Tec
494	Banc One	John G McCoy	(67)	330	—	—	**330**	43	20	Marietta, Ohio	Fi
379	BanCal Tri-State	Chauncey E Schmidt	(49)	412	14	—	**427**	4	4	Oxford, Iowa	Ba
767	Banco Popular PR	Rafael Carrión Jr	(65)	110	—	30	**140**	47	23	San Juan, PR	Fi
619	BancOhio	Robert G Stevens	(50)	213	—	26	**239**	4	4	Marion, Ill	Ba
412	Bancorp Hawaii	Wilson P Cannon	(60)	160	30	206	**396**	38	3	Berkeley, Cal	Ba
335	Bank of New York	Elliott Averett	(62)	250	88	120	**458**	40	5	Chatham, NJ	Ba
646	Bank of Virginia	Frederick Deane Jr	(53)	203	1	13	**217**	26	6	Boston, Mass	Fi
160	BankAmerica	Alden W Clausen	(57)	600	69	30	**700**	30	10	Hamilton, Ill	Fi
426	Bankers Trust N Y	Alfred Brittain III	(57)	345	—	36	**381**	33	5	Evanston, Ill	Ba
764	Barnett Banks Fla	Charles E Rice	(44)	142	—	—	**142**	15	1	Chattanooga, Tenn	Ba
425	Bausch & Lomb	Daniel G Schuman	(63)	340	43	—	**383**	20	9	New York, NY	Fi
307	Baxter Travenol Labs	[6]William B Graham	(68)	450	41	—	**491**	35	27	Chicago, Ill	
650	BayBanks	William M Crozier Jr	(47)	159	—	53	**212**	16	5	New York, NY	Ba
234	Beatrice Foods	James L Dutt	(55)	485	2	88	**575**	33	1	Topeka, Kan	Administr
348	Beckman Instruments	Arnold O Beckman	(80)	428	2	20	**451**	45	40	Cullom, Ill	Fou
280	Becton, Dickinson	Wesley J Howe	(59)	360	47	110	**516**	31	5	Jersey City, NJ	Administr
709	Belco Petroleum	Arthur B Belfer	(73)	168	5	—	**174**	27	27	Poland	Fou
92	Bendix	William M Agee	(42)	654	12	202	**867**	8	3	Boise, Ida	Fin
484	Beneficial Corp	Finn M W Caspersen	(38)	328	2	6	**336**	8	3	New York, NY	I
83	Bethlehem Steel	[7]Lewis W Foy	(65)	460	1	457	**918**	43	5	Somerset County, Pa	Administr
502	Big Three Industries	Harry K Smith	(68)	315	—	7	**322**	54	24	Pittsburgh, Pa	Administr
568	Black & Decker	Francis P Lucier	(52)	263	7	4	**274**	17	5	Boston, Mass	Marke
575	Blue Bell	L Kimsey Mann	(63)	248	2	21	**271**	34	6	La Grange, Ga	Produ
691	Boatmen's Bancshares	Donald N Brandin	(58)	186	1	—	**188**	24	7	New York, NY	Ban
19	Boeing	Thornton A Wilson	(59)	552	108	1,343	**2,002**	37	11	Sikeston, Mo	Techn
116	Boise Cascade	John B Fery	(50)	379	—	416	**795**	23	7	Bellingham, Wash	Produ
237	Borden	Eugene J Sullivan	(59)	396	27	147	**571**	34	1	New York, NY	S
56	Borg-Warner	James F Beré	(57)	399	68	660	**1,126**	19	8	Chicago, Ill	Produ

†For FORBES definitions and methodology see page 116.

[5]Succeeded by Bernard C. Trueschler, 1/1/80.

[6]Succeeded by Vernon R. Loucks, Jr., 5/8/80.

[7]Succeeded by Donald H. Trautlein, 6/1/80.

Container Corporation of America

Alfred North Whitehead

The vitality of thought is in adventure. Ideas won't keep.
Something must be done with them.

Great Ideas: one of a series artist: Agnes Denes

1" x 14" reprint write: Container Corporation of America, Communication Dept. FE2-199, One First National Plaza, Chicago, Ill. 60603

Electric utilities have always set high standards for the products they use. Too much depends on them to do otherwise.

Recently, however, leading utilities were looking for power cable that would not just meet industry standards—but beat them.

It was Phelps Dodge that came up with the answer: our new Higher Performance Cable. A cable made to more stringent specifications and tested to higher levels for improved reliability.

Unusual? Not at all. Greater reliability is the hallmark of a score of quality products we make for electric utilities. Copper-Nickel condenser tub for example. And our Continuously Transposed Cables of magnet wire for power transformers.

All in all, each year, we turn about a *billion* pounds of copper into modern, useful products for the utility industry and others. That's because people who depend on copper depend on us. *Phelps Dodge—the time-tested name in copper.*

Phelps Dodge Cable and Wire Company's 15-kV Higher Performance Cable being installed in Chicago by Commonwealth Edison Company.

phelps dodge

300 Park Avenue, New York, N.Y. 10022

The copper people from Phelps Dodge

We help process about one-fourth of a the oil and gas the world uses every da

And that's being accomplished by just one member of Combustion Engineering: C-E Natco.

C-E Natco helps de-salt, de-foam, de-water and do other processing needed to prepare oil and gas for the pipeline.

And, besides processing it, we also help drill for it, extract it, pump it, clean it, deliver it and refine it.

C-E's Gray Tool Company pioneered the first wellhead assembly able to operate at pressures of 30,000 pounds per square inch—extending the search for oil and gas into earth layers too difficult to control before.

C-E Crest has designed systems that produce 10 million barrels of oil a day.

C-E Lummus engineered over 30% of Europe's refining capacity. And was responsible for the design and construction of deck facilities for offshore platforms in the North Sea that can withstand 130-mph winds and 100-foot-high waves.

We do more than help process oil and gas.

For more than 65 years, C-E has been supplying systems, equipment, technology and research to help produce the world's energy, conserve it, squeeze more uses from it, and make it clean.

For more information abou C-E, write Combustion Engineering, Inc., Dept. 7004-117, 900 Long Ridge Road, Stamford Connecticut, USA 06902.

COMBUSTION ENGINEERING

The Energy Systems Compar

Who Gets The Most Pay

Company	Chief executive (Age)	Compensation ($000) Salary & bonus†	Options, rights & benefits†	Contingent†	Total	Years served with company	Years served as chief	Place of birth	Business background
Borman's	**Paul Borman** (47)	120	—	8	**127**	26	15	Detroit, Mich	Sales
Boston Edison	**Thomas J Galligan Jr** (60)	175	1	—	**176**	26	9	Watertown, Mass	Finance
Braniff Intl	**Harding L Lawrence** (59)	465	22	382	**869**	15	15	Perkins, Okla	Administration
Bristol-Myers	**Richard L Gelb** (56)	676	5	141	**822**	30	8	New York, NY	Administration
Broadview Financial	**John E Rupert** (52)	166	—	—	**166**	26	6	Cleveland, Ohio	Administration
Brown-Forman Dist	**W L Lyons Brown Jr** (43)	270	32	—	**302**	24	4	Louisville, Ky	Marketing
Brown Group	**W L Hadley Griffin** (62)	264	24	123	**411**	33	11	Edwardsville, Ill	Legal
Brunswick	**K Brooks Abernathy** (61)	363	27	303	**693**	18	4	Missoula, Mont	Finance
Bucyrus-Erie	**Norris K Ekstrom** (52)	285	—	6	**291**	18	2	Kiron, Iowa	Finance
Burlington Inds	**William A Klopman** (58)	489	3	106	**597**	34	3	New York, NY	Marketing
Burlington Northern	**Norman M Lorentzsen** (63)	425	87	216	**727**	45	2	Horace, ND	Operations
Burroughs	**Paul S Mirabito** (65)	575	5	112	**691**	37	2	New York, NY	Finance
Cabot	**Robert A Charpie** (54)	598	—	2,530	**3,127**	11	11	Cleveland, Ohio	Technical
Caesars World	**William McElnea Jr** (58)	292	8	—	**301**	7	7	Orange, NJ	Investment
California First Bank	**Toshio Nagamura** (54)	154	36	4	**194**	32	2	Japan	Banking
Cameron Iron Works	**Myron A Wright** (69)	275	54	91	**420**	3	3	Blair, Okla	Administration
Campbell Soup	**Harold A Shaub** (64)	412	79	31	**523**	37	7	Lancaster County, Pa	Production
Campbell Taggart	**[8]Bill O Mead** (60)	289	2	76	**367**	20	10	Abilene, Tex	Sales
Capital Cities Comm	**Thomas S Murphy** (55)	345	29	252	**626**	25	13	Brooklyn, NY	Administration
Capital Holding	**Thomas C Simons** (51)	267	—	13	**280**	2	2	Pasadena, Cal	Insurance
Carnation	**H Everett Olson** (73)	315	—	56	**371**	49	12	Chicago, Ill	Finance
Carolina Pwr & Lt	**Sherwood H Smith Jr** (45)	128	6	4	**138**	15	1	Jacksonville, Fla	Legal
Carter Hawley Hale	**Philip M Hawley** (54)	421	7	7	**435**	22	3	Portland, Ore	Retailing
Castle & Cooke	**Donald J Kirchhoff** (55)	328	—	—	**328**	24	5	St Louis, Mo	Administration
Caterpillar Tractor	**Lee L Morgan** (60)	406	118	–5	**520**	34	2	Aledo, Ill	Marketing
CBI Industries	**Marvin G Mitchell** (63)	365	8	321	**694**	41	10	Waycross, Ga	Sales
CBS	**[9]John D Backe** (47)	732	7	35	**774**	7	3	Akron, Ohio	Finance
CBT	**Walter J Connolly Jr** (51)	174	3	19	**196**	19	3	Boston, Mass	Banking
Celanese	**John D Macomber** (52)	490	6	252	**748**	7	2	Rochester, NY	Administration
Central & South West	**[10]Silas B Phillips Jr** (65)	234	—	17	**251**	40	14	Portland, Ore	Administration
Central Bancorp	**Oliver W Birckhead** (58)	165	117	—	**282**	29	8	Brooklyn, NY	Administration
Central Bancshares	**Harry B Brock Jr** (54)	186	7	—	**193**	9	9	Fort Payne, Ala	Founder
Central Fidelity Bks	**Alvin R Clements** (53)	139	—	3	**142**	7	5	Charlottesville, Va	Banking
Centl Louisiana Engy	**Gale L Galloway** (50)	153	53	—	**206**	6	1	Pearsall, Tex	Legal
Central Soya	**[11]Joseph F Jones** (65)	262	—	—	**262**	20	4	De Soto, Mo	Production
Central Tel & Utils	**Robert P Reuss** (62)	255	8	77	**341**	7	7	Aurora, Ill	Operations
Centran	**John A Gelbach** (62)	250	12	24	**286**	24	9	Ellwood City, Pa	Finance
Certain-teed	**Gabriel Aufaure** (60)	199	—	—	**199**	8	1	France	Technical
Cessna Aircraft	**Russell W Meyer** (47)	306	—	52	**359**	6	5	Davenport, Iowa	Legal
Champion Intl	**Andrew C Sigler** (48)	516	20	195	**731**	23	5	Brooklyn, NY	Marketing
Champion Spark Plug	**Robert A Stranahan Jr** (65)	359	—	77	**436**	44	25	Toledo, Ohio	Administration
Charter	**Raymond K Mason** (53)	293	62	17	**373**	28	17	Jacksonville, Fla	Founder
Chase Manhattan	**[12]David Rockefeller** (65)	578	10	31	**618**	34	11	New York, NY	Banking
Chemical New York	**Donald C Platten** (61)	423	29	11	**464**	39	7	New York, NY	Banking
Chesebrough-Pond's	**Ralph E Ward** (59)	343	94	—	**437**	33	12	Scotch Plains, NJ	Marketing
Chessie System	**Hays T Watkins** (54)	491	9	—	**500**	31	9	Fern Creek, Ky	Finance
Chromalloy American	**[13]Wesley J Barta** (67)	488	17	—	**505**	32	1	Finley, ND	Administration
Chrysler	**Lee A Iacocca** (55)	1,266	—	120	**1,386**	1	1	Allentown, Pa	Operations
Chubb	**William M Rees** (64)	537	—	—	**537**	42	10	Brooklyn, NY	Insurance
Cincinnati G & E	**William H Dickhoner** (58)	145	—	16	**161**	39	4	Cincinnati, Ohio	Technical

ORBES definitions and methodology see page 116.

[8]Succeeded by C.B. Lane, 1/1/80.
[9]Resigned, successor not yet named.
[10]Succeeded by Durwood Chalker, 3/1/80.
[11]Succeeded by Douglas G. Fleming, 1/1/80.
[12]Succeeded by Willard C. Butcher, 1/1/80.
[13]Succeeded by Richard L. Wachtell, 1/1/80.

Who Gets The Most Pay

Rank	Company	Chief executive (Age)	Compensation ($000) Salary & bonus†	Options, rights & benefits†	Contingent†	Total	Years served with company	Years served as chief	Place of birth	bac
314	Cincinnati Milacron	James A Geier (54)	295	1	189	**485**	29	10	Cincinnati, Ohio	Te
197	Citicorp	Walter B Wriston (60)	535	6	98	**639**	34	10	Middletown, Conn	B
517	Cities Service	Robert V Sellers (53)	300	14	—	**314**	29	8	Bartlesville, Okla	Te
692	Citizens & Southern NB Ga	Bennett A Brown (51)	176	11	—	**187**	25	2	Kingstree, SC	B
689	Citizens Fidelity	J David Grissom (41)	187	—	2	**189**	7	3	Portsmouth, Ohio	
9	City Investing	George T Scharffenberger (61)	729	6	1,850	**2,585**	14	14	Ridgewood, NJ	Ope
139	Clark Equipment	Bert E Phillips (61)	340	44	354	**737**	32	7	Quincy, Ill	Ma
500	Clark Oil & Refining	Robert G Reed III (52)	324§	—	—	**324**	1	1	Cambridge, Mass	Ma
478	Cleveland-Cliffs	Samuel K Scovil (57)	241	3	98	**341**	29	3	Cleveland, Ohio	
702	Cleveland Elec Illum	Robert M Ginn (56)	166	10	5	**180**	31	1	Detroit, Mich	Te
356	Coastal Corp	Oscar S Wyatt Jr (55)	442	2	—	**443**	24	24	Beaumont, Tex	F
101	Coca-Cola	J Paul Austin (65)	749	53	50	**852**	30	13	La Grange, Ga	
149	Colgate-Palmolive	Keith Crane (59)	443	10	272	**724**	43	1	New Zealand	Adminis
245	Colonial Penn Group	John J MacWilliams (51)	321	23	215	**559**	11	10	Syracuse, NY	Administ
10	Colt Industries	George A Strichman (63)	631	1,433	375	**2,439**	17	17	Schenectady, NY	Administ
508	Columbia Gas System	Bernard J Clarke (59)	300	19	—	**320**	28	4	Philadelphia, Pa	Tec
769	Columbus & So Ohio	Ben T Ray (54)	135	5	—	**140**	29	1	Glouster, Ohio	Administ
325	**Combined International	Clement Stone (52)	440	1	27	**469**	29	7	Evanston, Ill	Inst
21	Combustion Engnrng	Arthur J Santry Jr (61)	574	—	1,352	**1,926**	24	17	Brookline, Mass	
785	Commerce Bancshrs	James M Kemper Jr (58)	118	8	—	**126**	33	13	Kansas City, Mo	Ba
492	Commercial Metals	Stanley A Rabin (42)	300	3	28	**331**	10	1	New York, NY	Administ
518	Commonwlth Edison	[14]Thomas G Ayers (65)	283	30	—	**313**	42	7	Detroit, Mich	Administ
301	Commonwealth Oil	C Howard Hardesty Jr (58)	500	—	—	**500**	1	1	Fairmont, W Va	
247	Connecticut General	Robert D Kilpatrick (56)	371	—	186	**557**	26	3	Fairbanks, La	Insu
25	Conoco	Ralph E Bailey (56)	506	21	1,243	**1,770**	15	1	Lynnville, Ind	Tec
471	Consolidated Edison	Charles F Luce (62)	216	132	—	**349**	12	12	Platteville, Wisc	Administ
306	Consolidated Foods	John H Bryan Jr (43)	493	—	—	**493**	20	5	West Point, Miss	Administ
112	Consol Freightways	[15]Raymond F O'Brien (58)	339	151	320	**810**	22	3	Atchison, Kan	Fi
623	Consol Natural Gas	George J Tankersley (59)	220	5	11	**236**	13	1	Ruston, La	Administ
716	Consolidated Papers	George W Mead (52)	171	—	—	**171**	27	14	Milwaukee, Wisc	Oper
560	Consumers Power	John D Selby (58)	275	—	6	**281**	5	2	Odebolt, Iowa	Tec
173	Continental Airlines	[16]Robert F Six (73)	419	—	258	**677**	43	42	Stockton, Cal	Administ
507	Continental Bank	Roy T Peraino (52)	175	145	—	**320**	22	10	Philadelphia, Pa	Fi
272	Continental Corp	John B Ricker Jr (62)	372	7	144	**523**	41	4	Augusta, Ga	Insu
154	Continental Group	Robert S Hatfield (64)	535	—	177	**712**	44	8	Utica, NY	Mark
100	Continental Illinois	Roger E Anderson (58)	557	138	158	**853**	33	7	Chicago, Ill	Ba
321	Continental Tel	Charles Wohlstetter (70)	390	29	53	**473**	19	8	New York, NY	Fi
298	Control Data	William C Norris (68)	505	—	—	**505**	22	22	Red Cloud, Neb	Fo
88	Cooper Industries	Robert Cizik (49)	495	223	164	**882**	18	5	Scranton, Pa	Fi
641	Adolph Coors	William K Coors (63)	221	—	—	**221**	40	19	Golden, Colo	Tech
270	Corning Glass Works	Amory Houghton Jr (53)	400	28	96	**525**	28	16	Corning, NY	Opera
361	Cox Broadcasting	Clifford M Kirtland Jr (56)	222	218	—	**440**	16	6	Buffalo, NY	Fi
131	CPC International	James W McKee Jr (57)	455	31	270	**756**	33	7	Pittsburgh, Pa	Fi
515	Crane	Thomas M Evans (69)	316	—	—	**316**	21	21	Pittsburgh, Pa	Fi
183	Crocker National	Thomas R Wilcox (63)	446	51	168	**666**	6	6	New York, NY	Ba
587	Crown Central Petrol	Henry A Rosenberg Jr (50)	253	7	—	**260**	27	9	Pittsburgh, Pa	Administr
697	Crown Cork & Seal	John F Connelly (75)	180	4	—	**184**	23	23	Philadelphia, Pa	
345	Crown Zellerbach	Charles R Dahl (58)	421	15	16	**453**	30	10	Brooklyn, NY	Produ
243	Crum & Forster	B P Russell (60)	355	8	197	**561**	38	9	Fort Worth, Tex	Insu
705	Cullen/Frost Bankers	Thomas C Frost Jr (52)	140	7	30	**176**	30	14	San Antonio, Tex	Ba

†For FORBES definitions and methodology see page 116.
§CEO joined company in 1979; salary data less than full year.
**Formerly Combined Insurance.

[14]Succeeded by James J. O'Connor, 3/1/80.
[15]Succeeded by Lary R. Scott, 4/29/80.
[16]Succeeded by Alvin L. Feldman, 2/1/80.

HARRIS technology on the job

HARRIS CMOS random access memory circuit for Allen-Bradley programmable control system

semiconductors, arris Corporation roduces a ide range of tegrated circuits, ith emphasis on ate-of-the-art, gh-performance nalog and large cale memory and gital products. With low-power ARRIS CMOS emory circuits, roducers of formation processing ystems can reduce equipment size, weight and energy onsumption. And guarantee data retention with battery backup. HARRIS technology works worldwide—in communication quipment, information systems, government systems, emiconductors and printing equipment. For information, write: arris Corporation, Melbourne, Florida 32919.

HARRIS

COMMUNICATION AND INFORMATION PROCESSING

UTILITY LINES follow our excavators wherever the easements are drawn. With their crawler tracks and hydrostatic drive, these machines climb 70-degree slopes and brake automatically to provide firm platforms for digging work. Applying these and other capabilities, some loggers now depend on these units as the primary machines for their needs in mountain-road construction. Your inquiries about our company and its products are welcome. John Deere, Moline, Illinois 61265.

JOHN DEERE ON THE MOVE

JOHN DEERE

Who Gets The Most Pay

Company	Chief executive (Age)	Compensation ($000) Salary & bonus†	Options, rights & benefits†	Contingent†	Total	Years served with company	as chief	Place of birth	Business background
Cummins Engine	**Henry B Schacht** (45)	402	26	–24	**404**	15	10	Erie, Pa	Administration
Cyclops	**William H Knoell** (55)	199	62	96	**358**	13	7	Pittsburgh, Pa	Legal
Dana	**Gerald B Mitchell** (52)	378	137	2	**516**	36	1	Goderich, Can	Administration
Dart Industries	**Justin Dart** (72)	499	8	33	**540**	38	37	Evanston, Ill	Administration
Data General	**Edson D deCastro** (41)	116	—	—	**116**	12	12	Plainfield, NJ	Founder
Datapoint	**Harold E O'Kelley** (55)	283	949	33	**1,265**	7	7	Jacksonville, Fla	Technical
Dayton Power & Light	**Robert E Frazer** (51)	135	—	—	**135**	5	2	Detroit, Mich	Finance
Dayton-Hudson	**William A Andres** (53)	556	277	141	**974**	21	3	Fayette, Iowa	Retailing
Dean Witter Reynolds	**Andrew J Melton Jr** (60)	195	9	25	**229**	7	1	Bay Shore, NY	Investment
Deere	**William A Hewitt** (65)	518	317	—	**835**	31	25	San Francisco, Cal	Marketing
Delmarva Power & Lt	**Robert D Weimer** (58)	122	—	3	**125**	32	6	Pemberville, Ohio	Administration
Delta Air Lines	**David C Garrett Jr** (57)	465	2	20	**487**	33	2	Norris, SC	Operations
Deluxe Check Printers	**Eugene R Olson** (54)	124	2	18	**144**	36	2	St Paul, Minn	Marketing
Deposit Guaranty	**[17]J Herman Hines** (65)	88	8	15	**111**	43	5	Jackson, Miss	Banking
Detroit Edison	**William G Meese** (63)	245	—	—	**245**	39	8	Rugby, ND	Technical
DETROITBANK	**Rodkey Craighead** (63)	228	7	83	**317**	34	2	Pittsburgh, Pa	Banking
Diamond Intl	**William J Koslo** (50)	336	12	—	**349**	25	3	Mt Carmel, Pa	Sales
Diamond Shamrock	**William H Bricker** (48)	562	15	108	**685**	11	3	Detroit, Mich	Marketing
Di Giorgio	**Robert Di Giorgio** (68)	358	2	277	**637**	43	14	New York, NY	Finance
Digital Equipment	**Kenneth H Olsen** (54)	278	2	23	**303**	22	22	Bridgeport, Conn	Founder
Dillingham	**Herbert C Cornuelle** (60)	373	33	113	**519**	10	3	Cincinnati, Ohio	Operations
Dillon Companies	**Ray E Dillon Jr** (56)	210	—	11	**221**	33	17	Hutchinson, Kan	Administration
Walt Disney	**E Cardon Walker** (64)	245	104	15	**364**	42	3	Rexburg, Ida	Marketing
Dominion Bankshares	**Byron A Hicks** (63)	184	18	–	**202**	34	2	Moneta, Va	Finance
Donaldson, Lufkin	**Richard H Jenrette** (51)	288	—	33	**321**	20	6	Raleigh, NC	Founder
R R Donnelley & Sons	**Charles W Lake Jr** (62)	377	36	580	**992**	34	16	La Porte, Ind	Production
Dover	**Thomas C Sutton** (59)	242	55	134	**431**	29	16	Longmont, Colo	Sales
Dow Chemical	**Paul F Oreffice** (52)	387	208	215	**809**	27	2	Italy	Finance
Dow Jones	**Warren H Phillips** (54)	362	182	102	**645**	33	5	New York, NY	Journalism
Dravo	**Robert Dickey III** (62)	315	58	33	**406**	32	15	Pittsburgh, Pa	Sales
Dresser Industries	**John V James** (61)	332	291	791	**1,414**	22	10	Plains Township, Pa	Finance
Duke Power	**Carl Horn Jr** (58)	188	2	20	**211**	26	9	Rutherfordton, NC	Legal
Dun & Bradstreet	**Harrington Drake** (60)	490	30	814	**1,334**	32	5	Kansas City, Mo	Marketing
E I du Pont	**Irving S Shapiro** (63)	701	187	–13	**875**	29	6	Minneapolis, Minn	Legal
Duquesne Light	**John M Arthur** (57)	162	7	—	**168**	35	11	Pittsburgh, Pa	Operations
Eastern Air Lines	**Frank Borman** (52)	317	26	66	**410**	10	4	Gary, Ind	Technical
Eastern Gas & Fuel	**William J Pruyn** (57)	216	3	65	**284**	28	2	Boston, Mass	Finance
Eastman Kodak	**Walter A Fallon** (62)	604	5	23	**632**	38	8	Schenectady, NY	Production
Eaton	**E Mandell de Windt** (59)	657	21	14	**693**	38	10	Grt Barrington, Mass	Operations
Jack Eckerd	**Stewart Turley** (45)	295	44	49	**389**	13	5	Mt Sterling, Ky	Administration
El Paso	**Travis H Petty** (59)	274	20	42	**337**	34	1	Clarksville, Tex	Administration
Emerson Electric	**Charles F Knight** (44)	613	28	93	**734**	7	6	Lake Forest, Ill	Administration
Emhart	**T Mitchell Ford** (59)	265	121	3	**389**	21	10	Albany, NY	Legal
Energy Reserves Group	**Richard K Volk** (44)	150	37	1,082	**1,269**	7	7	Denver, Colo	Technical
Engelhard Minerals	**Milton F Rosenthal** (66)	1,523	1	474	**1,998**	15	15	New York, NY	Administration
ENSERCH	**William C McCord** (52)	242	19	156	**417**	31	9	San Antonio, Tex	Technical
Equimark	**William E Bierer** (50)	150	10	—	**160**	11	1	Uniontown, Pa	Banking
Equitable Bancorp	**Owen Daly II** (55)	143	5	6	**155**	15	5	Denver, Colo	Finance
Equitable of Iowa	**Kenneth R Austin** (60)	126	1	34	**161**	32	10	Keosauqua, Iowa	Administration
Equitable Sav & Loan	**William E Love** (54)	155	3	2	**159**	10	6	Eugene, Ore	Legal

ORBES definitions and methodology see page 116.

[17]Succeeded by Warren A. Hood, 1/1/80.

Who Gets The Most Pay

Rank	Company	Chief executive (Age)	Compensation ($000) Salary & bonus†	Options, rights & benefits†	Contingent†	Total	Years served with company	Years served as chief	Place of birth	F bac
625	ERC	Stanford Miller (66)	171	64	—	**235**	41	13	Kansas City, Mo	Ins
135	Esmark	Donald P Kelly (58)	*666	3	76	**745**	26	2	Chicago, Ill	F
421	Ethyl	Floyd D Gottwald Jr (57)	363	24	–	**386**	37	10	Richmond, Va	Adminis
315	Evans Products	Monford A Orloff (66)	484	–	—	**484**	22	17	Omaha, Neb	
347	Ex-Cell-O	Edward J Giblin (62)	415	37	—	**452**	26	8	New York, NY	F
24	Exxon	Clifton C Garvin Jr (58)	830	148	843	**1,821**	33	4	Portsmouth, Va	Tec
771	Farmers Group	Richard G Lindsley (58)	139	–	—	**139**	29	1	Minneapolis, Minn	Ins
801	Fed-Mart	[18]Hugo Mann (66)	0	–	—	0	5	4	Germany	Re
640	Fedl Natl Mortgage	A Oakley Hunter (64)	175	9	37	**221**	10	10	Los Angeles, Cal	
201	Federated Dept Stores	Ralph Lazarus (66)	450	41	140	**631**	45	12	Columbus, Ohio	Administ
589	Fidelcor	Raymond J Dempsey (45)	196	26	38	**260**	1	1	Yonkers, NY	B.
637	Fidelity Financial	Adolph C Meyer Jr (55)	206	16	--	**222**	17	11	Oakland, Cal	
581	Fidelity Union Bncp	C Malcolm Davis (61)	228	—	40	**268**	24	10	Roslyn, NY	Ba
763	Fin Cp Santa Barbara	David L Tilton (53)	140	2	—	**142**	28	14	Santa Barbara, Cal	Fi
566	Financial Federation	Edward L Johnson (70)	193	83	—	**276**	20	20	Chicago, Ill	Fi
793	Financial General	J William Middendorf II (55)	110	—	5	**115**	3	3	Baltimore, Md	Fi
299	Firestone	Richard A Riley (64)	489	–	14	**503**	40	6	Fall River, Mass	Administ
630	First Alabama Bshs	Frank A Plummer (68)	183	25	19	**228**	15	9	Richland, NY	Fi
750	First American Bank	James H Duncan (55)	153	—	—	**153**	30	10	Madison, Wisc	Ba
752	First Amtenn	Kenneth L Roberts (47)	150	1	–	**151**	4	3	Dungannon, Va	Ba
676	First & Merchants	C Coleman McGehee (55)	187	10	–	**197**	31	6	Franklin, Va	Ba
534	First Atlanta	Thomas R Williams (51)	231	42	25	**298**	7	4	Atlanta, Ga	Ba
441	First Bank System	Donald R Grangaard (61)	339	33	—	**373**	41	11	Rothsay, Minn	Administ
254	First Boston	George L Shinn (57)	325	—	216	**541**	5	5	Newark, Ohio	Administ
656	First Charter Finl	S Mark Taper (78)	209	—	—	**210**	25	25	England	Fo
530	First Chicago	[19]A Robert Abboud (51)	298	3	—	**301**	21	4	Boston, Mass	Ba
424	First City Bancorp	James A Elkins Jr (61)	332	14	38	**384**	38	17	Galveston, Tex	Ba
761	First Empire State	Claude F Shuchter (57)	133	–	13	**146**	21	3	Chicago, Ill	Ba
800	First Florida Banks	Chester H Ferguson (71)	2‡	—	—	**2‡**	8	8	Americus, Ga	
501	First Hawaiian	John D Bellinger (57)	208	7	108	**323**	38	10	Honolulu, Haw	Ba
264	First Intl Bshs	Robert H Stewart III (54)	364	14	153	**532**	29	20	Dallas, Tex	Fi
680	First Kentucky Natl	A Stevens Miles (50)	188	—	7	**195**	26	5	Louisville, Ky	Ba
659	First Maryland Bncp	J Owen Cole (51)	180	26	—	**207**	23	6	Rutherfordton, NC	Administr
729	First Natl Bancorp	Theodore D Brown (58)	154	3	7	**165**	10	3	Denver, Colo	Ba
430	First Natl Boston	Richard D Hill (60)	294	25	60	**379**	34	8	Salem, Mass	Ba
700	First Natl Charter	Gordon E Wells (52)	181	—	—	**181**	28	3	Hamburg, Iowa	Ba
668	First National Cinc	William N Liggett (63)	180	—	20	**200**	32	9	Ripley, Ohio	Fi
717	First Natl State Bcp	Robert R Ferguson Jr (56)	170	—	—	**170**	30	7	Savannah, Ga	Fi
745	First Natl Supermkts	Richard J Bogomolny (45)	155	1	—	**156**	7	5	Cleveland, Ohio	I
798	First Oklahoma Bncp	Charles A Vose (79)	77	—	5	**82**	59	21	Clinton, Iowa	Fi
707	First Pennsylvania	George A Butler (52)	168	7	–	**175**	30	1	Westmont, NJ	Ba
633	First Security	George S Eccles (80)	227	—	—	**227**	58	34	Baker, Ore	Fou
514	First Tennessee Natl	Ronald A Terry (49)	220	97	—	**316**	23	6	Memphis Tenn	Ba
571	First Union Bancorp	Clarence C Barksdale (48)	264	8	–	**272**	21	2	St Louis, Mo	Ba
557	First Union	C Clifford Cameron (60)	209	24	50	**283**	16	13	Meridian, Miss	Ba
698	First United Bancorp	Paul W Mason (59)	175	–	8	**183**	18	10	Wichita, Kan	Ba
732	First Virginia Banks	Thomas K Malone Jr (60)	159	5		**164**	29	1	Burlington, Vt	Ba
696	First Wisconsin	Hal C Kuehl (57)	169	14	2	**185**	33	2	Davenport, Iowa	Ba
572	Fisher Foods	‡‡Dominick DiMatteo Jr (62)	260	12	—	**272**	55	1	Chicago, Ill	Reta
664	Flagship Banks	Philip F Searle (55)	165	28	13	**205**	5	5	Geneva, Ohio	Administra

†For FORBES definitions and methodology see page 116.

‡Director's fees only; excludes fees paid to law firm of which Mr. Ferguson is a partner.

‡‡Shares "Office of the President" with R.G. Everett and C. Fazio.

[18]Mr. Mann as Trustee for Mann GmbH beneficially owns 68% of the common stock. To be succeeded as CEO of Fed-Mart by Heinz L Gundlach, 3/26/80.

[19]To be replaced by unnamed successor.

nce 1973, more than 35.9 lion aluminum cans have en collected and over 284 llion dollars paid to llectors.

ading the way are beverage tributors across the country o realize that recycling ovides them with a good community relations program plus profit opportunities based on the scrap value of aluminum.

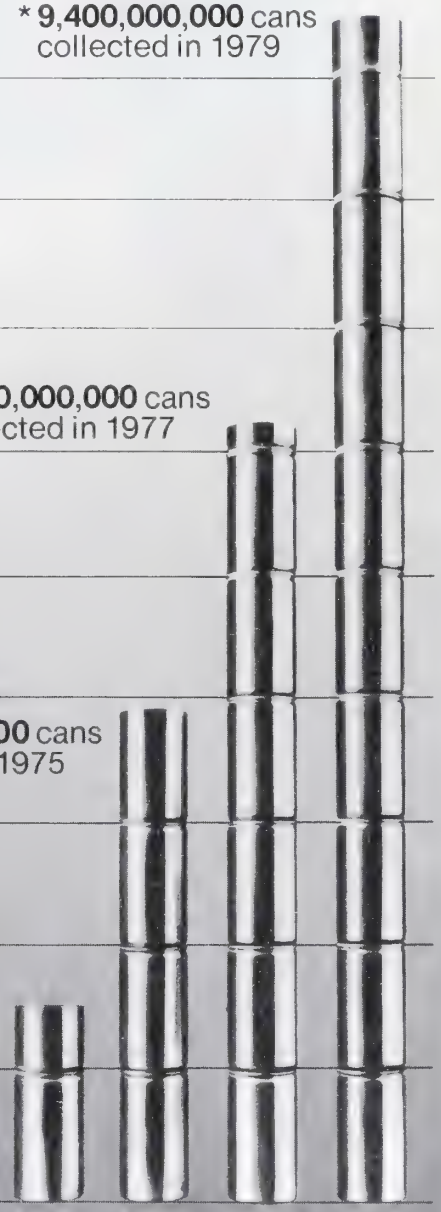
Recycling saves 95 percent of the energy needed to make new metal from ore. At Alcoa®, recycled metal is made into sheet for more light, clean and convenient, fast chilling cans.

Recycling is one good idea that works. And it's working even better, each and every year.

For more information, write Aluminum Company of America, 446-F Alcoa Building, Pittsburgh, PA 15219.

*Alcoa estimate

Today, Americans are recycling six times as many aluminum cans as we were in 1973.



We can't wait for tomorrow. ALCOA

© Eastman Kodak Company, 1980

"And now a special award to Estelle Frobisher, who singlehandedly unjammed the copier eight times this week."

Sure, copiers jam. But the question is, how often? And how seriously? If it happens a lot, takes a long time to correct, and gets people's hands dirty, there may be something lacking in the basic design.

Kodak copiers, people say, are uncommonly easy to live with. Because they're so well designed. A straight-line paper path minimizes the chance of a jam. And makes it easy to clear, quickly and cleanly, when it does happen.

May we demonstrate?

Write: Eastman Kodak Company, CD0370, Rochester, N.Y. 14650.

Kodak copiers. A jam is easy to fix, but you seldom have to.

Kodak Ektaprint 100PS copier-duplicator

1880 Kodak *1980*

A 100-year start on tomorrow

Who Gets The Most Pay

Company	Chief executive (Age)	Compensation ($000) Salary & bonus†	Options, rights & benefits†	Contin-gent†	Total	Years served with company	as chief	Place of birth	Business background
Fleming Companies	**Richard D Harrison** (57)	256	81	37	**374**	26	14	Salt Lake City, Utah	Legal
Flickinger	**Robert F Norris** (58)	309	—	12	**321**	7	5	Mullinville, Kan	Administration
Florida Natl Banks	**John H Manry Jr** (58)	115	1	—	**116**	40	5	Miami, Fla	Banking
Florida Power	**Andrew H Hines Jr** (57)	151	—	7	**158**	28	7	Lake City, Fla	Technical
Florida Power & Lt	**Marshall McDonald** (62)	230	2	161	**393**	8	8	Memphis, Tenn	Finance
Fluor	**J Robert Fluor** (58)	638	915	141	**1,695**	34	12	Santa Ana, Cal	Finance
FMC	**Robert H Malott** (53)	479	—	295	**774**	27	8	Boston, Mass	Operations
Food Fair	**Grant C Gentry** (56)	450	—	—	**450**	1	1	Chicago, Ill	Legal
Ford Motor	**Philip Caldwell** (60)	620	13	74	**707**	27	1	Bourneville, Ohio	Administration
Foremost-McKesson	**Thomas E Drohan** (52)	327	70	11	**407**	18	2	Newton, Mass	Operations
Fort Howard Paper	**Paul J Schierl** (45)	223	33	14	**271**	16	5	Neenah, Wisc	Legal
Foster Wheeler	**Frank A Lee** (56)	256	19	100	**374**	20	9	Greenville, Pa	Technical
Freeport Minerals	**Paul W Douglas** (53)	403	84	1,644	**2,131**	27	4	Springfield, Mass	Marketing
Fruehauf	**Robert D Rowan** (58)	440*	80	9	**529**	24	6	Holland, Mich	Finance
Fuqua Industries	**John B Fuqua** (62)	948	18	1	**967**	14	14	Prince Edw Cnty, Va	Founder
GAF	**Jesse Werner** (63)	379	1	131	**512**	41	18	New York, NY	Technical
Gamble-Skogmo	**Wayne E Matschullat** (63)	276	61	116	**453**	7	2	Page, Neb	Retailing
Gannett	**Allen H Neuharth** (56)	454	39	157	**651**	17	7	Eureka, SD	Journalism
GATX	**James J Glasser** (46)	260	30	8	**298**	19	1	Chicago, Ill	Legal
GEICO	**John J Byrne** (47)	787	3	5	**795**	4	4	Paterson, NJ	Insurance
General American Oil	**William P Barnes** (60)	160	23	—	**183**	27	2	Marlin, Tex	Legal
General Dynamics	**David S Lewis** (62)	363	2	350	**715**	9	9	N Augusta, SC	Administration
General Electric	**Reginald H Jones** (62)	900	—	168	**1,069**	40	7	England	Operations
General Foods	**James L Ferguson** (54)	485	32	9	**527**	17	6	Evanston, Ill	Marketing
General Instrument	**Frank G Hickey** (52)	506	—	1,700	**2,206**	15	5	Stevens Pt, Wisc	Marketing
General Mills	**E Robert Kinney** (63)	497	20	51	**568**	21	4	Burnham, Me	Administration
General Motors	**Thomas A Murphy** (64)	942	22	—	**964**	42	5	Hornell, NY	Finance
General Public Utils	**William G Kuhns** (58)	237	10	—	**247**	24	13	Milwaukee, Wisc	Finance
General Reinsurance	**Harold J Hudson Jr** (56)	474	—	—	**474**	24	9	Kansas City, Mo	Legal
General Signal	**Nathan R Owen** (61)	499	230	—	**729**	19	18	Burnt Hills, NY	Technical
General Tel & Elec	**Theodore F Brophy** (57)	405	—	188	**592**	22	4	New York, NY	Legal
Genl Tire & Rubber	**Michael G O'Neil** (58)	322	6	3	**331**	34	20	Akron, Ohio	Administration
Genesco	**John L Hanigan** (68)	325	28	—	**353**	3	3	New York, NY	Production
Genuine Parts	**Wilton D Looney** (61)	216	12	—	**228**	41	18	Vanna, Ga	Operations
Georgia-Pacific	**Robert E Flowerree** (59)	449	133	129	**711**	28	3	New Orleans, La	Operations
Getty Oil	**Harold E Berg** (65)	548	42	—	**590**	43	3	Stilwell, Kan	Technical
Giant Food	**Israel Cohen** (67)	300	6	69	**374**	44	2	Israel	Founder
Gibraltar Financial	**Herbert J Young** (48)	176	—	—	**176**	27	11	Los Angeles, Cal	Administration
Gillette	**Colman M Mockler Jr** (50)	349	3	45	**397**	22	5	St Louis, Mo	Finance
Girard	**William B Eagleson Jr** (54)	244	—	22	**266**	28	5	Philadelphia, Pa	Finance
GK Technologies	**Robert P Jensen** (54)	525	41	927	**1,493**	7	7	Chicago, Ill	Technical
Golden West Finl	**Herbert M Sandler** (48)	170	-	—	**170**	16	16	New York, NY	Founder
B F Goodrich	**John D Ong** (46)	365	5	35	**405**	19	1	Ulrichsville, Ohio	Legal
Goodyear	**Charles J Pilliod Jr** (61)	491	20	71	**583**	39	6	Cuyahoga Falls, Ohio	Sales
Gould	**William T Ylvisaker** (56)	461	886	43	**1,391**	12	12	St Paul, Minn	Administration
W R Grace	**J Peter Grace** (67)	600	38	981	**1,619**	43	34	Manhasset, NY	Finance
W W Grainger	**David W Grainger** (52)	253	2	33	**287**	30	6	Chicago, Ill	Administration
Great Atl & Pac Tea	**[20]Jonathan L Scott** (50)	406	2	22	**430**	5	5	Nampa, Ida	Administration
Gt Northern Nekoosa	**Robert Hellendale** (62)	294	43	17	**354**	26	1	New York, NY	Legal
Gt Western Financial	**James F Montgomery** (45)	285	63	9	**358**	4	1	Topeka, Kan	Finance

ORBES definitions and methodology see page 116.

y annualized.

[20]Succeeded by James Wood, 4/29/80.

Who Gets The Most Pay

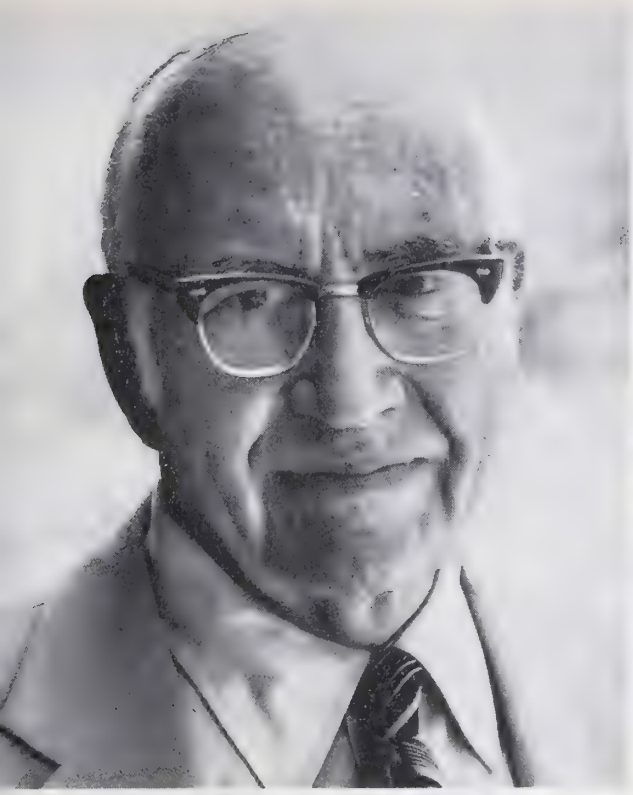
Rank	Company	Chief executive	Age	Compensation ($000) Salary & bonus†	Options, rights & benefits†	Contingent†	Total	Years served with company	Years served as chief	Place of birth	ba
354	Greyhound	Gerald H Trautman	(67)	342	6	99	**447**	34	14	Petoskey, Mich	
519	Grumman	John C Bierwirth	(56)	263	–	50	**313**	7	5	Lawrence, NY	F
177	Gulf & Western Inds	Charles G Bluhdorn	(53)	445	224	4	**674**	24	24	Austria	F
65	Gulf Oil	Jerry McAfee	(63)	403	164	460	**1,028**	35	4	Port Arthur, Tex	Ope
657	Gulf States Utils	W Donham Crawford	(57)	190	13	5	**209**	2	2	Little Rock, Ark	Adminis
6	Gulf United	E Grant Fitts	(64)	450	2,213	498	**3,160**	12	12	Montevallo, Ala	
31	Halliburton	John P Harbin	(62)	563	864	180	**1,607**	31	8	Waxahachie, Tex	F
495	Hammermill Paper	Albert F Duval	(59)	261	61	7	**329**	20	9	Holyoke, Mass	Ma
198	Hanna Mining	Robert F Anderson	(59)	450	132	56	**638**	33	1	Hibbing, Minn	Prod
573	Harris Bankcorp	Charles M Bliss	(58)	246	26	—	**272**	36	2	Evanston, Ill	B
109	Harris Corp	Joseph A Boyd	(59)	462	172	197	**830**	18	2	Oscar, Ky	Tec
416	Harsco	Jeffrey J Burdge	(58)	252	45	94	**391**	26	3	England	F
627	Hartford Natl	Robert L Newell	(57)	175	5	51	**231**	34	4	Hartford, Conn	B
124	H J Heinz	Anthony J F O'Reilly	(44)	586	29	163	**779**	13	1	Ireland	
579	Walter E Heller Intl	Franklin A Cole	(54)	265	4	—	**269**	17	9	Park Falls, Wisc	
758	Helmerich & Payne	Walter H Helmerich III	(57)	135	7	5	**148**	31	20	Tulsa, Okla	Administ
246	Hercules	Alexander F Giacco	(60)	504	12	42	**558**	38	2	Italy	Tec
455	Hershey Foods	William E C Dearden	(57)	288	—	75	**364**	22	4	Philadelphia, Pa	
188	Heublein	Stuart D Watson	(63)	644	2	—	**647**	13	12	Decatur, Ill	Mar
178	Hewlett-Packard	John A Young	(48)	306	153	214	**672**	21	2	Nampa, Ida	Tec
417	Hilton Hotels	Barron Hilton	(52)	369	9	11	**390**	25	14	Dallas, Tex	Administ
355	Holiday Inns	Roy E Winegardner	(59)	322	3	122	**447**	6	1	Springfield, Mo	Administ
584	Homestake Mining	Harry M Conger	(49)	189	1	75	**264**	4	1	Seattle, Wash	Tec
78	Honeywell	Edson W Spencer	(54)	513	148	286	**947**	25	5	Chicago, Ill	
450	George A Hormel	Ira J Holton	(60)	365	1	—	**366**	33	8	Cedar Rapids, Iowa	
410	Hospital Corp of Am	Donald S MacNaughton	(62)	400	—	—	**400**	1	1	Schnectady, NY	Inst
695	Hospital Trust	Henry S Woodbridge Jr	(51)	185	1	—	**185**	25	5	Boston, Mass	Fi
104	Household Finance	Gilbert R Ellis	(64)	517	328	—	**845**	45	7	Powersville, Mo	Oper
626	Houston Industries	Don D Jordan	(48)	200	24	7	**231**	23	3	Corpus Christi, Tex	
205	Houston Natural Gas	Robert R Herring	(59)	364	256	7	**627**	16	12	Childress, Tex	Tec
189	Houston Oil & Min	F Fox Benton Jr	(41)	238	375	33	**647**	13	1	Houston, Tex	Fi
754	Howard Johnson	Howard B Johnson	(47)	150	—	—	**150**	25	16	Boston, Mass	Administ
203	Hughes Tool	James R Lesch	(58)	360	158	111	**629**	33	1	Apache, Okla	Administ
27	Humana	David A Jones	(48)	451	1,282	5	**1,738**	18	18	Louisville, Ky	Fo
564	Huntington Bshs	Arthur D Herrmann	(53)	250	—	27	**277**	29	4	Louisville, Ky	Ba
334	E F Hutton Group	Robert M Fomon	(55)	435	3	20	**458**	29	9	Chicago, Ill	Invest
407	Hyster	William H Kilkenny	(61)	268	11	123	**403**	33	5	Portland, Ore	Mark
137	IC Industries	William B Johnson	(61)	543	109	91	**743**	14	14	Salisbury, Md	
711	Idaho First Natl Bk	Thomas C Frye	(61)	173	—	—	**173**	42	10	Ontario, Ore	Ba
510	Ideal Basic Inds	John A Love	(63)	211	12	95	**318**	6	5	Gibson City, Ill	
722	Illinois Power	Wendell J Kelley	(54)	159	2	6	**167**	30	13	Champaign, Ill	Tech
799	Imperial Corp of Am	[21]G Kenneth Handley	(74)	568	9		**65**	1	1	Salt Lake City, Utah	Invest
190	INA	Ralph S Saul	(58)	451	4	192	**647**	5	5	Brooklyn, NY	
708	Indiana National	Thomas W Binford	(56)	160	2	13	**174**	4	4	Indianapolis, Ind	Administr
537	Industrial National	John J Cummings Jr	(57)	233	5	58	**296**	33	9	Providence, RI	Fi
654	Indust Valley Bank	[22]Richard W Havens	(59)	201	7	3	**211**	26	26	Philadelphia, Pa	Fi
125	Ingersoll-Rand	William L Wearly	(64)	757	—	20	**777**	17	12	Warren, Ind	
337	Inland Steel	Frederick G Jaicks	(61)	448	–	10	**458**	39	8	Chicago, Ill	Produ
513	Intel	Gordon E Moore	(51)	304	—	13	**317**	11	5	San Francisco, Cal	Fou
350	Interco	William L Edwards Jr	(61)	375	—	75	**450**	10	4	Pittsburgh, Pa	Fi

†For FORBES definitions and methodology see page 116

§CEO joined company in 1979; salary data less than full year.

[21]Succeeded by James A. Coles, 5/5/80.

[22]Succeeded by Joseph A. Gallagher, 1/1/80



One of these drivers had a head-on collision and walked away without a scratch.

"I'm Dr. Arnold Arms, the man on the left. In 1975, ove one of the American cars equipped with bag restraint systems being tested in this country. 6 p.m. on October 7, I left my office to make a house and never made it. I had a head-on collision with ty bus. I was travelling at about 25 miles an hour.

"I recall very well what happened. The air bag d in front of the steering wheel and deflated right ay. I could see I was alive. I could see that I had broken bones. To my surprise, I didn't even have eadache or whiplash injury. I was able to walk away n the crash." ***Arnold V. Arms, M.D., Kansas City, MO***

In 1979, 25 million drivers and passengers were red in car accidents; 27,000 died. The cost of hospi- and medical treatment for auto injuries was astro- nical. And with inflation continuing to spiral, these ts continue to soar.

Many deaths and injuries could be prevented if ple would use seat belts and shoulder harnesses, ch are standard equipment in all new cars. Unfortu- ely, fewer than 20% of all automobile occupants use r seat belts.

A federal standard requires that all full-size 1982- del cars *automatically* protect front seat occupants n serious injury in crashes up to 30 mph.

The auto industry has proven technology to meet se new federal requirements. Safety belts that auto- tically restrain you is one approach. The air bag raint system is another.

Extensive testing has proven that air bags can absorb the impact forces in head-on and front-angle crashes, with a cushioning effect that dramatically reduces serious injury. Research has shown that air bag protection can reduce the frequency of head, face, neck and torso injuries by as much as 40%. And the cost is less than many car stereo systems.

Air bag protection is automatic. No initiative is needed from the occupant. However, manual lap belts will still be provided for those who desire additional protection in other than front-angle crashes.

If there are fewer injuries, there will be less medical, hospital and legal expenses. And we will be better able to keep the cost of your auto insurance at a reasonable, affordable level.

Here's what we're doing to control costs:

- Working through the Insurance Institute for Highway Safety to make cars more crash resistant and highways safer.
- Lowering premiums for cars with air bag or automatic seat belt restraint systems.
- Asking for stricter enforcement of the 55 mph speed limit.
- Encouraging increased use of safety belts.

Here's what you can do:

- Use your seat belt regularly.
- Work in your community to make sure speed laws are enforced.
- Don't drink if you're going to drive.

Affordable insurance is our business...and yours.

This message is presented by the **American Insurance Association,** 85 John Street, New York, New York 10038.

Who Gets The Most Pay

Rank	Company	Chief executive (Age)	Compensation ($000) Salary & bonus†	Options, rights & benefits†	Contin-gent†	Total	Years served with company	as chief	Place of birth	ba
295	Interlake	Reynold C MacDonald (61)	337	38	132	**506**	13	11	Billings, Mont	Op
81	IBM	Frank T Cary (59)	698	230	—	**928**	32	7	Gooding, Ida	Ma
456	Intl Flavors & Frag	Henry G Walter Jr (69)	354	9	—	**363**	17	17	New York, NY	
57	Intl Harvester	Archie R McCardell (53)	845	24	255	**1,125**	2	2	Hazel Park, Mich	
115	Intl Minerals & Chem	Richard A Lenon (59)	499	34	261	**795**	12	9	Lansing, Mich	
370	Intl Multifoods	William G Phillips (60)	401	25	9	**434**	11	11	Cleveland, Ohio	
144	International Paper	Edwin A Gee (60)	490	69	173	**732**	2	1	Washington, DC	Te
119	Intl Tel & Tel	Rand V Araskog (49)	695	14	85	**794**	14	1	Fergus Falls, Minn	Admini
96	InterNorth	[23]Willis A Strauss (58)	405	58	397	**861**	31	13	Omaha, Neb	Te
588	Iowa Beef Processors	[24]J Fred Haigler (68)	248	4	9	**260**	18	8	Creston, Iowa	F
279	Irving Bank	Gordon T Wallis (60)	518	—	—	**518**	39	9	Salt Lake City, Utah	
85	IU International	John M Seabrook (63)	674	179	52	**905**	20	13	Seabrook, NJ	Te
543	Jefferson-Pilot	W Roger Soles (59)	245	46	—	**290**	33	12	Whiteville, NC	Inve
377	Jewel Companies	Weston R Christopherson (55)	285	31	112	**429**	29	1	Walum, ND	R
324	Jim Walter	James W Walter (57)	443	—	27	**469**	34	34	Lewes, Del	I
353	Johns-Manville	John A McKinney (56)	379	13	58	**450**	28	3	Huntsville, Tex	
128	Johnson & Johnson	James E Burke (55)	528	118	126	**772**	27	3	Rutland, Vt	Ma
319	Johnson Controls	Fred L Brengel (57)	361	33	82	**475**	32	13	Hicksville, NY	
439	Joy Manufacturing	James W Wilcock (62)	304	4	65	**373**	14	12	Dayton, Ohio	Ma
323	K mart	[25]Robert E Dewar (57)	465	6	—	**471**	31	8	Traverse City, Mich	
76	Kaiser Alum & Chem	Cornell C Maier (55)	550	413	—	**963**	30	7	Herreid, SD	Ope
597	Kaiser Steel	Edgar F Kaiser Jr (37)	178	70	8	**256**	13	1	Portland, Ore	Adminis
174	Kaneb Services	James R Whatley (54)	281	—	395	**676**	25	13	Pittsburg, Tex	Adminis
433	Kellogg	William E LaMothe (53)	363	4	9	**375**	29	1	Brooklyn, NY	Mar
744	Kemper	Joseph E Luecke (53)	151	5	—	**156**	28	1	Philadelphia, Pa	Ins
48	Kennecott	Thomas D Barrow (55)	1,205	19	11	**1,235**	1	1	San Antonio, Tex	Tec
423	Kerr-McGee	Dean A McGee (76)	375	–	9	**384**	43	26	Humboldt, Kan	Prod
610	Key Banks	Victor J Riley Jr (48)	228	1	18	**247**	16	6	Buffalo, NY	F
168	***Kidde	Fred R Sullivan (65)	636	51	—	**687**	16	16	Fort Wayne, Ind	F
132	Kimberly-Clark	Darwin E Smith (54)	509	—	243	**752**	22	8	Garrett, Ind	
458	Knight-Ridder News	Alvah H Chapman Jr (59)	358	3	—	**361**	20	4	Columbus, Ga	Adminis
258	Koppers	Fletcher L Byrom (61)	450	4	81	**535**	32	12	Cleveland, Ohio	Prod
305	Kraft	John M Richman (52)	402	58	33	**493**	25	1	New York, NY	
288	Kroger	Lyle Everingham (54)	477	36	—	**513**	33	2	Flint, Mich	Re
309	Lear Siegler	Robert T Campion (59)	471	17	—	**487**	22	9	Minneapolis, Minn	F
553	Leaseway Transportn	Robert A Burgin (55)	282	3	—	**285**	2	2	Rolling Fork, Miss	Oper
346	Levi Strauss	Peter E Haas (61)	418	34	—	**452**	34	4	San Francisco, Cal	Oper
506	Libbey-Owens-Ford	Don T McKone (58)	320	—	—	**320**	31	1	Jackson, Mich	Administ
748	Liberty National	John W McLean (58)	150	4	—	**154**	12	12	Okmulgee, Okla	Ba
666	Liberty Natl Life	Frank P Samford Jr (59)	181	24	—	**205**	32	13	Montgomery, Ala	
105	Liggett Group	Raymond J Mulligan (58)	509	29	304	**841**	18	6	Munhall, Pa	Mar
150	Eli Lilly	Richard D Wood (53)	454	189	74	**717**	30	7	Brazil, Ind	Mar
569	Lincoln First Banks	Alexander D Hargrave (60)	247	—	27	**274**	17	6	Canandaigua, NY	
592	Lincoln National	Ian M Rolland (47)	234	4	19	**257**	24	3	Ft Wayne, Ind	Insu
403	Litton Industries	Charles B Thornton (66)	327	20	58	**405**	26	26	Knox County, Tex	Fo
387	Lockheed	Roy A Anderson (59)	340	53	25	**418**	23	2	Ripon, Cal	Fi
392	Loews	Laurence A Tisch (57)	394	19	—	**413**	20	19	Brooklyn, NY	Fi
453	Lone Star Industries	James E Stewart (58)	362	2	—	**364**	27	2	Minneapolis, Minn	Administ
665	Long Island Lighting	Charles R Pierce (58)	165	—	40	**205**	30	2	Bar Harbor, Me	
338	Louisiana Land	John G Phillips (57)	385	1	72	**458**	28	8	Camden, Ark	Fi

†For FORBES definitions and methodology see page 116.

***Formerly Walter Kidde.

[23]Succeeded by Sam F. Segnar, 3/27/80.

[24]Succeeded by Robert L. Peterson, 3/27/80.

[25]Succeeded by Bernard M. Fauber, 2/1/80.

Transway's Going Places

Transway has made a commitment to innovation and leadership in each of these areas of transportation and distribution.

That's A Sound Concept To Invest In

ight Forwarding

Marine Transportation

Trailer Manufacturing

Liquefied Petroleum Gas

lease write for our 1979 Annual Report. Learn about our investment in the future and how it has helped us become a corporation with $884 million in revenue and $332 million in total assets.

TRANSWAY

Transway International Corporation
747 Third Avenue
New York, New York 10017

Who Gets The Most Pay

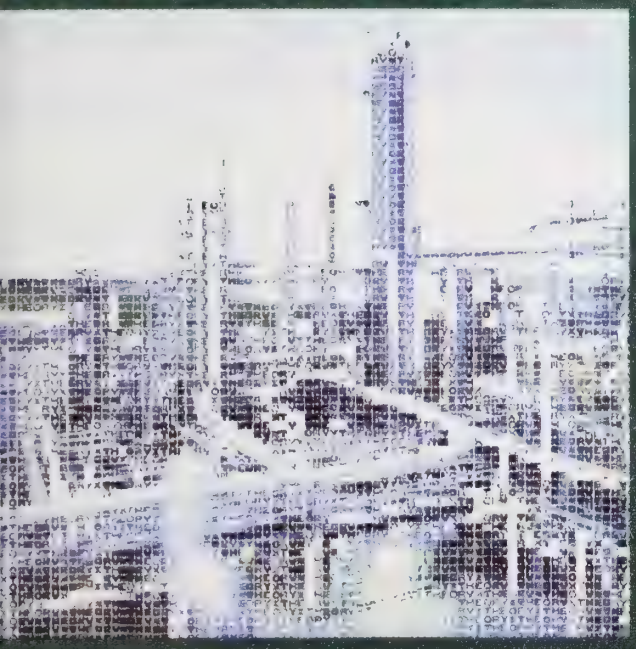
Rank	Company	Chief executive (Age)	Compensation ($000) Salary & bonus†	Options, rights & benefits†	Contingent†	Total	Years served with company	as chief	Place of birth	b.
70	Louisiana-Pacific	Harry A Merlo (55)	471	81	436	**988**	30	6	Stirling City, Cal	M
635	Lowe's Companies	Leonard G Herring (53)	190	5	29	**224**	24	1	Snow Hill, NC	
79	LTV	W Paul Thayer (60)	708	44	190	**942**	31	9	Henryetta, Okla	
311	Lubrizol	Lester E Coleman (49)	324	—	163	**486**	25	2	Akron, Ohio	Te
222	Lucky Stores	[26]Wayne H Fisher (59)	574	—	26	**599**	17	6	Los Angeles, Cal	Admini
213	R H Macy	Donald B Smiley (65)	410	—	205	**615**	34	8	Albany, Ill	
604	Malone & Hyde	Joseph R Hyde III (37)	239	—	10	**249**	15	11	Memphis, Tenn	Admini
293	Mfrs Hanover	John F McGillicuddy (49)	468	8	33	**509**	22	1	Harrison, NY	
544	Manufacturers Natl	Dean E Richardson (52)	260	—	31	**290**	26	7	West Branch, Mich	
256	MAPCO	[27]Robert E Thomas (65)	477	3	58	**538**	20	20	Cuyahoga Falls, Ohio	
29	Marathon Oil	Harold D Hoopman (59)	489	20	1,131	**1,641**	33	4	Lucas, Kan	Pr
775	Marine	George R Slater (56)	134	2	—	**135**	4	2	Indianapolis, Ind	I
490	Marine Midland Bks	Edward W Duffy (54)	322	10	—	**332**	24	6	Utica, NY	I
369	Marriott	J Willard Marriott Jr (48)	379	10	46	**435**	24	7	Washington, DC	Admini
207	Marsh & McLennan	John M Regan Jr (59)	442	37	145	**623**	34	7	Minneapolis, Minn	In
598	Marshall & Ilsley	John A Puelicher (59)	150	6	99	**255**	42	22	Milwaukee, Wisc	
426	Martin Marietta	J Donald Rauth (62)	375	1	5	**381**	39	7	Pitman, NJ	Te
648	Maryland National	Robert D H Harvey (59)	176	18	21.	**216**	34	16	Baltimore, Md	
318	Masco	Richard A Manoogian (43)	460	16	2	**478**	22	12	Long Branch, NJ	Admini
274	May Dept Stores	David C Farrell (47)	388	47	88	**522**	24	1	Chicago, Ill	R
390	Oscar Mayer	[28]P Goff Beach (65)	375	5	35	**415**	44	8	Chicago, Ill	Ope
431	MCA	Lew R Wasserman (67)	330	48	—	**378**	43	33	Cleveland, Ohio	
290	J Ray McDermott	James E Cunningham (57)	397	115	—	**511**	22	1	Cresco, Iowa	Te
481	McDonald's	Fred L Turner (47)	307	4	29	**340**	23	6	Des Moines, Iowa	Ope
452	McDonnell Douglas	Sanford N McDonnell (57)	307	45	13	**365**	31	8	Little Rock, Ark	Te
218	McGraw-Edison	Edward J Williams (57)	457	129	22	**608**	8	7	St Louis, Mo	I
330	McGraw-Hill	Harold W McGraw Jr (62)	321	28	114	**464**	33	5	New York, NY	Ope
341	Mead	[29]Warren L Batts (47)	452	3	–	**454**	8	2	Norfolk, Va	Ma
611	Medtronic	Dale R Olseth (50)	221	25	—	**246**	4	4	St James, Minn	Admini
358	Mellon National	James H Higgins (64)	327	10	105	**442**	29	5	Kansas City, Mo	P
428	Melville	Francis C Rooney Jr (58)	381	—	—	**381**	27	16	N Brookfield, Mass	R
542	Mercantile Bancorp	Donald E Lasater (54)	271	6	14	**291**	21	9	St Louis, Mo	
415	Mercantile Stores	Leon F Winbigler (54)	374	19	—	**393**	31	5	Brookfield, Mo	R
545	Mercantile Texas	Gene H Bishop (50)	269	21	–	**289**	5	5	Forest, Miss	B
723	Merchants National	Otto N Frenzel III (49)	166	1	—	**167**	25	7	Indianapolis, Ind	B
147	Merck	John J Horan (59)	507	54	167	**728**	28	4	New York, NY	
285	Merrill Lynch	Donald T Regan (61)	503	—	11	**514**	34	9	Cambridge, Mass	Inve
17	Mesa Petroleum	Thomas B Pickens Jr (52)	330	1,609	139	**2,078**	23	23	Holdenville, Okla	F
1	MGM	Frank E Rosenfelt (58)	344	4,870	—	**5,214**	24	5	Peabody, Mass	
538	Fred Meyer	Oran B Robertson (62)	245	50	—	**296**	34	4	Salem, Ore	R
446	MGIC Investment	Max H Karl (70)	315	11	42	**368**	23	23	Milwaukee, Wisc	F
621	Michigan National	Stanford C Stoddard (49)	209	20	9	**238**	26	8	Salt Lake City, Utah	F
593	Middle South Utils	Floyd W Lewis (54)	246	6	5	**257**	30	8	Lincoln County, Miss	
583	Midlantic Banks	Robert Van Buren (55)	253	13	—	**265**	9	3	Plainfield, NJ	B
340	Minn Mining & Mfg	Lewis W Lehr (59)	456	—	—	**456**	33	1	Elgin, Neb	Te
159	Missouri Pacific	Downing B Jenks (64)	561	30	109	**700**	19	8	Portland, Ore	Ope
343	Mitchell Energy & Dev	George P Mitchell (61)	398	1	54	**453**	34	21	Galveston, Tex	F
5	Mobil	Rawleigh Warner Jr (59)	1,187	2,406	47	**3,640**	26	10	Chicago, Ill	F
50	Monsanto	John W Hanley (58)	761	14	413	**1,188**	7	7	Parkersburg, W Va	Mar
276	J P Morgan	[30]Walter H Page (64)	509		11	**520**	42	2	Huntington, NY	B

†For FORBES definitions and methodology see page 116.

[26]Succeeded by S. Donley Ritchey, 2/4/80.
[27]Succeeded by Willis H. Thompson, Jr., 1/1/80.
[28]Succeeded by Jerry M. Hiegel, 3/1/80.
[29]Succeeded by James W. McSwiney, 1/15/80.
[30]Succeeded by Lewis T. Preston, 1/1/80.

HEORY:

top corporate bank should
e a leader and an innovator.



REALITY:

Long before energy became an issue or a crisis, Continental Bank was a leading lender to the oil and gas industry.

Twenty-five years ago we were pioneers. One of the few major banks with an oil and gas division. Today, we have one of the largest oil and gas portfolios in the world. And no bank, anywhere, has a larger oil and gas division or more expertise than Continental. It's what you expect from a top corporate bank. At Continental Bank, it's reality.

CONTINENTAL BANK

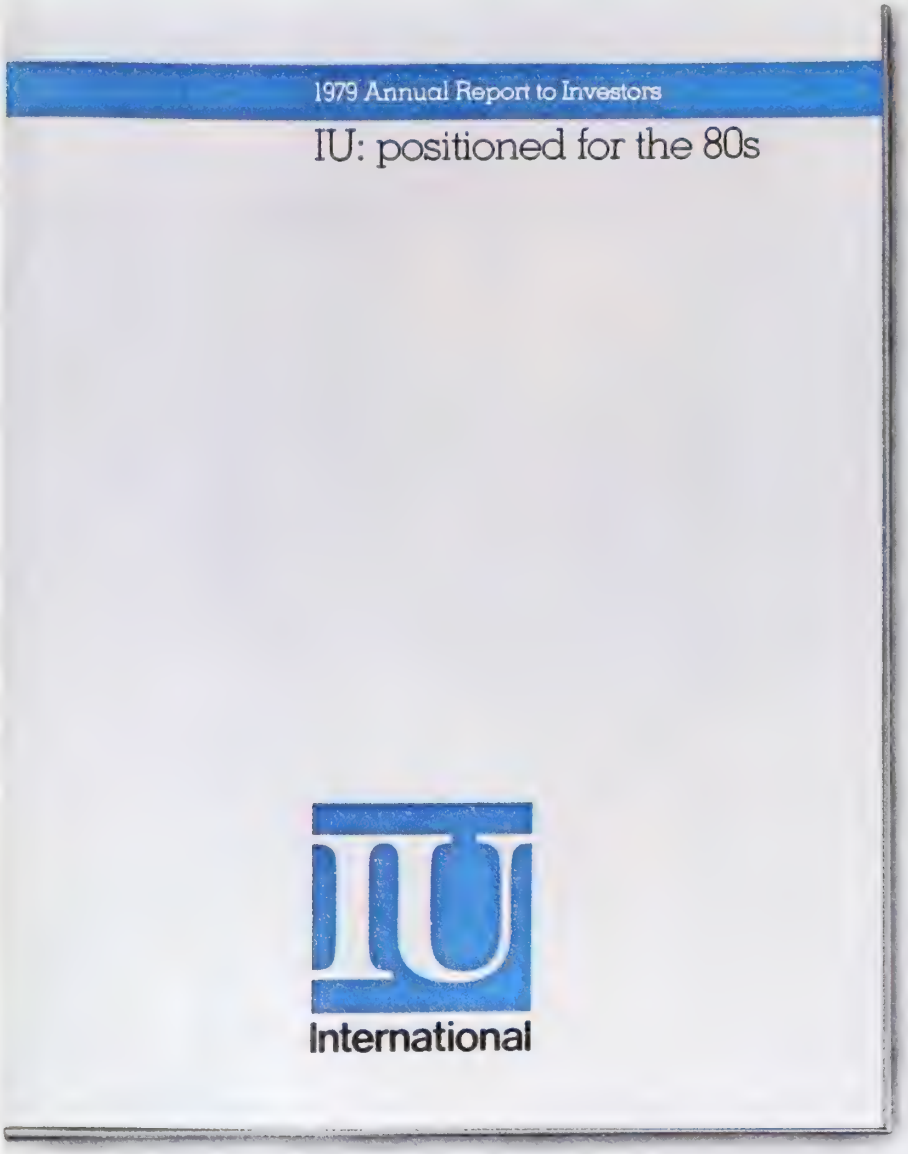
Continental Illinois National Bank and
Trust Company of Chicago

ntina · Australia · Austria · Bahamas · Bahrain · Belgium · Brazil · Canada · Colombia · France · Greece · Hong Kong · Indonesia · Italy · Japan · Kenya · Korea
non · Malaysia · Mexico · The Netherlands · The Philippines · Singapore · Spain · Switzerland · Taiwan · Thailand · United Kingdom · Venezuela · West Germany
United States · Chicago · New York · Los Angeles · Houston · Dallas · Miami · Cleveland · San Francisco · Denver

How IU got ready for the 80s.

Over the past decade, IU International has concentrated on streamlining its operations, developing its strengths in five major markets. And we have done a lot of planning to prepare for the 80s.

As part of its strategy, IU's management works at enterprise planning to create new values for our shareholders and to ensure future growth. The most recent example: the distribution of ownership of Gotaas-Larsen Shipping Corporation to IU's shareholders.



Today, IU is a diversified services company with $2.6 billion in annual revenues. IU is positioned as:

- the second largest trucking group in the United States and the fastest growing;
- the majority owner of one of Canada's most successful electric and gas utilities, and the sole owner of the third largest water utility service company in the United States;
- the industry leader in waste management services for steel mills and coal-fired power plants, and a supplier of energy-related manufactured products;
- the world's leading producer of macadamia nuts and cardamom spice, a major sugar grower, and a leading marketer of molasses;
- a major paper and food products distributor in the Southeast and Midwest.

Near the Arctic Circle IU operates an established silver mine and is exploring gold deposits.

1979 was a very good year for IU. Earnings were higher. Our dividend payout increased for the 35th consecutive year. And 1980 promises to be even better.

For a more detailed review of IU's progress and prospects, send for a copy of our 1979 annual report to investors. Write IU Corporate Affairs, Dept. F, 1500 Walnut St., Phila., PA 19102.

Who Gets The Most Pay

Company	Chief executive (Age)	Compensation ($000) Salary & bonus†	Options, rights & benefits†	Contingent†	Total	Years served with company	as chief	Place of birth	Business background
Morrison-Knudsen	**William H McMurren** (52)	294	248	124	**666**	25	8	Ontario, Ore	Operations
Morton-Norwich	**[31]John W Simmons** (60)	477	3	127	**607**	7	7	Toledo, Ohio	Administration
Motorola	**Robert W Galvin** (57)	125	4	4	**133**	36	20	Marshfield, Wisc	Administration
Murphy Oil	**Charles H Murphy Jr** (60)	225	—	2	**227**	30	30	El Dorado, Ark	Founder
Nabisco	**Robert M Schaeberle** (57)	366	—	85	**450**	33	6	Newark, NJ	Finance
Nalco Chemical	**Orell T Collins** (57)	225	58	46	**329**	24	1	Letcher County, Ky	Sales
National Can	**Frank W Considine** (58)	314	—	30	**344**	18	7	Chicago, Ill	Sales
Natl Central Financial	**Wilson D McElhinny** (50)	184	16	12	**212**	16	5	Detroit, Mich	Banking
National City	**Claude M Blair** (67)	205	—	132	**337**	13	8	Columbia, Tenn	Legal
Natl Detroit	**Robert M Surdam** (62)	360	28	—	**388**	33	12	Albany, NY	Finance
National Distillers	**Drummond C Bell** (64)	407	—	1,145	**1,552**	23	9	Baltimore, Md	Finance
National Gypsum	**Robert E Scifres** (62)	360	10	125	**494**	38	2	Lafayette, Ind	Operations
Natl Semiconductor	**Charles E Sporck** (52)	232	—	54	**287**	13	13	Saranac Lake, NY	Production
National Steel	**[32]George A Stinson** (65)	574	39	41	**654**	18	14	Camden, Ark	Legal
National Tea	**Valdyn W Schulz** (51)	180	1	—	**181**	6	4	Edgeley, ND	Administration
Nationwide	**Dean W Jeffers** (63)	174	55	18	**247**	40	8	Woodsfield, Ohio	Marketing
Natomas	**Dorman L Commons** (62)	331	51	321	**703**	7	6	Denair, Cal	Finance
NCNB	**Thomas I Storrs** (61)	304	12	—	**316**	19	6	Nashville, Tenn	Banking
NCR	**William S Anderson** (61)	543	195	534	**1,273**	34	6	China	Marketing
New England Electric	**Guy W Nichols** (54)	164	2	—	**166**	32	8	Colchester, Vt	Administration
New England Merch	**Roderick M MacDougall** (54)	189	2	—	**191**	6	1	New York, NY	Banking
N Y State Elec & Gas	**Charles F Kennedy** (65)	129	—	—	**129**	6	3	Elmira, NY	Technical
Newmont Mining	**Plato Malozemoff** (70)	368	—	4	**372**	34	26	Russia	Administration
Niagara Mohawk Power	**John G Haehl Jr** (57)	164	—	5	**169**	18	7	Brooklyn, NY	Finance
NICOR	**Clarence J Gauthier** (58)	234	68	63	**365**	34	9	Houghton, Mich	Technical
NL Industries	**Ray C Adam** (60)	500	11	1,400	**1,911**	8	5	Aquilla, Tex	Administration
NLT	**Russell L Wagner** (64)	310	16	—	**326**	40	2	Marengo, Iowa	Insurance
Noble Affiliates	**[33]Sam Noble** (54)	184	69	233	**486**	31	10	Colorado Springs, Colo	Administration
Norfolk & Western Ry	**John P Fishwick** (63)	439	16	11	**465**	34	10	Roanoke, Va	Legal
North Amer Philips	**Pieter C Vink** (60)	453	35	8	**496**	15	11	The Netherlands	Marketing
Northeast Utilities	**Lelan F Sillin Jr** (62)	194	—	—	**194**	12	10	Tampa, Fla	Legal
No Calif Savings	**Firmin A Gryp** (52)	193	60	1	**254**	28	10	Monterey, Cal	Administration
No Indiana Pub Svc	**Edmund A Schroer** (52)	125	—	—	**125**	3	3	Hammond, Ind	Legal
No States Bancorp	**Robert D Krestel** (54)	148	14	—	**162**	3	2	New Castle, Pa	Finance
No States Power	**Donald W McCarthy** (58)	175	2	—	**177**	32	3	Minneapolis, Minn	Operations
Northern Trust	**E Norman Staub** (64)	313	50	336	**698**	26	1	Newark, NJ	Banking
Northrop	**Thomas V Jones** (59)	846	17	382	**1,245**	26	20	Pomona, Cal	Administration
Northwest Airlines	**M Joseph Lapensky** (61)	270	—	—	**270**	35	1	Minneapolis, Minn	Finance
Northwest Bancorp	**Chester C Lind** (61)	221	23	12	**256**	44	1	Firesteel, SD	Banking
Northwest Energy	**John G McMillian** (53)	460	14	381	**855**	7	6	Orange City, Tex	Administration
Northwest Industries	**Ben W Heineman** (66)	563	61	—	**623**	24	24	Wausau, Wisc	Legal
Northwestern Finl	**Ben T Craig** (47)	166	6	—	**172**	2	2	Gastonia, NC	Finance
Norton	**[34]Robert Cushman** (64)	391	176	328	**896**	35	9	Winchester, Mass	Marketing
Norton Simon	**David J Mahoney** (57)	1,000	89	–196	**893**	13	10	New York, NY	Marketing
NVF	**Victor Posner** (62)	485	71	16	**572††**	14	13	Baltimore, Md	Administration
Occidental Petroleum	**Armand Hammer** (82)	560	20	65	**645**	22	22	New York, NY	Finance
Ogden	**Ralph E Ablon** (64)	700	13	143	**856**	25	18	Tupelo, Miss	Administration
Ohio Casualty	**John G Sloneker** (58)	171	8	20	**200**	32	1	Hamilton, Ohio	Insurance
Ohio Edison	**[35]John R White** (64)	148	—	—	**148**	27	5	Akron, Ohio	Legal
Oklahoma Gas & Elec	**James G Harlow Jr** (46)	112	15	-	**126**	19	4	Oklahoma City, Okla	Finance

ORBES definitions and methodology see page 116.
year ended 12/31/78.

[31]Succeeded by Charles S. Locke, 4/24/80.
[32]Succeeded by Howard M. Love, 3/1/80.
[33]Succeeded by Roy Butler, 1/1/80.
[34]Succeeded by Donald R. Melville, 4/24/80.
[35]Succeeded by Justin T. Rogers, Jr., 1/1/80.

Who Gets The Most Pay

Rank	Company	Chief Executive (Age)	Compensation ($000) Salary & bonus†	Options, rights & benefits†	Contingent†	Total	Years served with company	Years served as chief	Place of birth	ba
658	Old Kent Financial	Richard M Gillett (56)	185	5	19	**209**	22	16	Grand Rapids, Mich	Admini
286	Olin	John M Henske (57)	459	13	41	**513**	11	2	Omaha, Neb	Op
480	Overseas Shipholding	Morton P Hyman (44)	167	174	-	**341**	10	8	New York, NY	
297	Owens-Corning Fbrgls	William W Boeschenstein (54)	285	56	164	**505**	29	7	Chicago, Ill	M
95	Owens-Illinois	Edwin D Dodd (61)	570	105	187	**861**	33	7	Point Pleasant, W Va	Pr
405	PACCAR	Charles M Pigott (51)	397	—	7	**404**	24	12	Seattle, Wash	Admini
675	Pacific Gas & Elec	Frederick W Mielke Jr (59)	188	9	—	**197**	29	1	New York, NY	
559	Pacific Lighting	Paul A Miller (55)	272	9	—	**281**	31	11	San Francisco, Cal	I
614	Pacific Lumber	Robert B Hoover (64)	194	—	50	**245**	40	4	Fresno, Cal	
736	Pacific Pwr & Lt	Don C Frisbee (56)	161	1	—	**162**	26	14	San Francisco, Cal	I
438	Paine Webber	James W Davant (62)	374	—	—	**374**	34	16	McComb, Miss	
339	Pan Am World Airways	William T Seawell (62)	404	1	51	**456**	8	8	Pine Bluff, Ark	Ope
389	Panhandle Eastern	Richard L O'Shields (53)	317	14	85	**416**	20	10	Ozark, Ark	Pro
757	Parker Drilling	Robert L Parker (56)	148	—	—	**148**	33	26	Tulsa, Okla	Te
493	Parker-Hannifin	Patrick S Parker (50)	313	17	—	**331**	27	8	Cleveland, Ohio	Admini
175	Penn Central	Richard Dicker (66)	455	—	219	**674**	1	1	New York, NY	Inve
49	PennCorp Financial	§§Stanley Beyer (48)	1,070	101	63	**1,234**	29	7	New York, NY	Ins
383	J C Penney	Donald V Seibert (56)	398	14	14	**425**	32	5	Hamilton, Ohio	Re
773	Pa Power & Light	Robert K Campbell (50)	137	—	—	**138**	3	1	Chicago, Ill	Te
442	Pennwalt	Edwin E Tuttle (53)	353	19	—	**372**	29	2	Syracuse, NY	Admini
11	Pennzoil	J Hugh Liedtke (58)	441	73	1,865	**2,379**	24	17	Tulsa, Okla	
554	Peoples Energy	Orval C Davis (60)	264	—	21	**284**	33	2	Roseclare, Ill	Tec
794	Peoples Natl Bank	Joshua Green III (44)	115	—	—	**115**	28	3	Seattle, Wash	B
82	PepsiCo	Donald M Kendall (59)	584	5	334	**922**	33	17	Sequim, Wash	Mar
253	Perkin-Elmer	Robert H Sorensen (59)	234	33	277	**543**	20	2	Racine, Wisc	Tec
754	Petrie Stores	Milton J Petrie (77)	150	—	—	**150**	48	48	Salt Lake City, Utah	F
215	Petrolane	Rudolph J Munzer (62)	356	240	16	**611**	33	23	Minneapolis, Minn	
278	Pfizer	Edmund T Pratt Jr (53)	496	22	—	**518**	15	7	Savannah, Ga	Fi
376	Phelps Dodge	George B Munroe (58)	341	19	69	**429**	22	10	Joliet, Ill	
693	Phila Electric	James L Everett (53)	184	2	—	**187**	30	2	Charlotte, NC	Tec
540	Philadelphia Natl	G Morris Dorrance Jr (57)	210	—	82	**292**	28	11	Philadelphia, Pa	Fi
182	Philip Morris	George Weissman (60)	616	15	36	**666**	28	1	New York, NY	Marl
114	Phillips Petroleum	[36]William F Martin (63)	321	26	455	**802**	41	7	Blackwell, Okla	Fi
184	Pillsbury	William H Spoor (57)	452	78	129	**659**	30	7	Pueblo, Colo	Administ
605	Pioneer	K Bert Watson (55)	167	—	82	**249**	27	7	Ranger, Tex	
746	Pioneer Hi-Bred Intl	Dr William L Brown (66)	156	—	—	**156**	35	4	Arbovale, W Va	Tech
313	Pitney Bowes	Fred T Allen (63)	380	—	105	**486**	41	6	Providence, RI	Oper
489	Pittsburgh National	Merle E Gilliand (58)	311	—	22	**333**	27	10	Pitcairn, Pa	Fi
259	Pittston	Nicholas T Camicia (64)	425	36	73	**534**	11	10	Welch, W Va	Opera
362	Pogo Producing	William C Liedtke (55)	217	17	206	**440**	10	2	Tulsa, Okla	Produ
602	Polaroid	[37]Edwin H Land (71)	250	—	—	**250**	42	42	Bridgeport, Conn	Fo
779	Portland Genl Elec	Frank M Warren (64)	126	2	4	**132**	42	25	Portland, Ore	Tech
123	Potlatch	Richard B Madden (51)	425	107	248	**780**	9	9	Orange, NJ	Fi
655	Potomac Elec Power	W Reid Thompson (55)	207	3	–	**210**	9	9	Durham, NC	
248	PPG Industries	L Stanton Williams (60)	425	7	125	**557**	34	1	Honolulu, Haw	Fi
171	Procter & Gamble	Edward G Harness (61)	524	33	123	**680**	40	6	Marietta, Ohio	Mark
778	Provident Life & Acc	H Carey Hanlin (55)	125	—	7	**132**	31	1	Chattanooga, Tenn	Insu
660	Provident National	Roger S Hillas (53)	168	—	39	**207**	29	6	Wyncote, Pa	Fi
780	Public Service Colo	Richard F Walker (56)	123	3	4	**131**	30	1	Alliance, Neb	Tech
759	Public Service Ind	Hugh A Barker (54)	136	—	11	**148**	21	3	Stillwater, Minn	Fi

†For FORBES definitions and methodology see page 116.

§§Office jointly held with Burton Borman.

[36]Succeeded by William C. Douce, 4/29/80.

[37]Succeeded by William J. McCune, Jr., 4/2/80.

Dun & Bradstreet answers the escalating need of business for the faster receipt of timely, targeted information that is essential in making sound decisions.

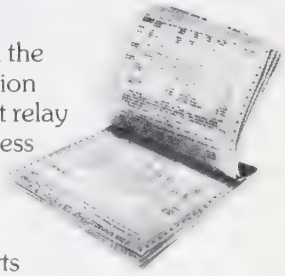
D&B's new DUNS DIAL gives you instant access to the information you need via a direct, toll-free telephone call.

With this new Dun & Bradstreet extension, you simply dial a special 800-exchange number for answers to your questions, provided in seconds, regarding any of over 4.5 million U.S. companies. Nothing more than an ordinary telephone is required, which means Duns Dial is available to all D&B subscribers–companies large and small, coast to coast.

D&B's new DUNS-VUE lets you view information via a terminal right on your desk.

This new Dun & Bradstreet connection, soon to be a reality, allows subscribers to hold "conversations" between their desktop terminal and D&B's computerized data base. With fingertip action, a Rating Display or a stand-alone Summary Display – with vital data updated weekly – appears right before your eyes.

D&B's new CUSTOMER PRINT TERMINAL SERVICE puts hard-copy business reports in your hands in minutes.



Dun & Bradstreet brings you the ultimate in business information communications – the instant relay to your offices of D&B Business Reports in printed form. A two-page report takes less than two minutes! Gone are the days of waiting for Reports by mail, as the rollout of this new D&B service gathers momentum in the coming years.

"Information, please." These are the words you hear increasingly from CEOs, corporate treasurers, sales directors and credit executives. We have been listening! As the world's leading source of business information, Dun & Bradstreet is 100% committed to advanced transmission technology – to the fastest possible relay of information that keeps the wheels of commerce turning. Yes, Dun & Bradstreet is the essential business.

Dun & Bradstreet

D&B a company of The Dun & Bradstreet Corporation

Who Gets The Most Pay

Rank	Company	Chief executive (Age)	Compensation ($000) Salary & bonus†	Options, rights & benefits†	Contingent†	Total	Years served with company	as chief	Place of birth	bac
720	Public Service N M	Jerry D Geist (46)	146	2	21	**169**	20	4	Raton, NM	Te
647	Pub Svc Elec & Gas	Robert I Smith (61)	210	6	—	**216**	39	4	Arlington, NJ	Te
52	Pullman	Clark P Lattin Jr (64)	351	413	379	**1,143**	14	1	Yonkers, NY	
395	Quaker Oats	Robert D Stuart Jr (64)	397	8	2	**407**	33	13	Hubbard Woods, Ill	Ma
576	Rainier Bancorp	G Robert Truex Jr (56)	225	3	42	**271**	6	6	Red Bank, NJ	F
202	Ralston Purina	R Hal Dean (64)	450	49	131	**630**	41	12	Mitchell, SD	Pro
141	Rapid-American	Meshulam Riklis (56)	683	13	39	**735**	25	25	Turkey	I
563	Raychem	Paul M Cook (56)	278	—	—	**278**	23	23	Ridgewood, NJ	F
59	Raytheon	Thomas L Phillips (56)	453	665	—	**1,118**	32	11	Greece	Te
242	RCA	Edgar H Griffiths (59)	429	13	122	**564**	31	3	Philadelphia, Pa	F
99	Reliance Group	Saul P Steinberg (40)	750	44	61	**855**	19	19	New York, NY	F
678	Republic New York	[38]Louis Moskowitz (64)	185	10	—	**195**	2	1	New York, NY	H
457	Republic of Texas	James D Berry (59)	248	5	109	**362**	30	3	Sapulpa, Okla	B
240	Republic Steel	William J De Lancey (64)	535	31	—	**566**	28	6	Chicago, Ill	Adminis
661	Resorts Intl	James M Crosby (53)	203	2	1	**207**	21	19	Great Neck, NY	F
158	Revco D S	Sidney Dworkin (59)	199	317	185	**701**	24	13	Detroit, Mich	F
12	Revlon	Michel C Bergerac (48)	900	1,443	4	**2,346**	5	5	France	Adminis
349	Rexnord	Robert V Krikorian (60)	369	—	82	**451**	29	1	New Haven, Conn	Ope
66	R J Reynolds Inds	J Paul Sticht (62)	628	—	389	**1,017**	7	2	Clairton, Pa	Mar
250	Reynolds Metals	David P Reynolds (65)	397	—	149	**546**	43	4	Bristol, Tenn	Mar
497	Richardson-Merrell	John S Scott (54)	286	17	25	**328**	29	4	West Orange, NJ	Mar
686	Riggs Natl Bank	Vincent C Burke Jr (57)	192	—	—	**192**	25	4	Louisville, Ky	B
524	Roadway Express	William F Spitznagel (53)	279	8	21	**308**	30	2	Fairfield, Ala	Oper
45	Rockwell Intl	Robert Anderson (59)	967	7	273	**1,247**	12	6	Columbus, Neb	Tec
191	Rohm & Haas	Vincent L Gregory Jr (57)	510	6	130	**646**	30	9	Oil City, Pa	F
724	Rowan Companies	Charles R Palmer (45)	165	—	1	**166**	20	8	Gorman, Tex	Oper
53	Ryder System	Leslie O Barnes (63)	600	387	148	**1,135**	4	4	Canisteo, NY	Administ
486	Safeco	Roland M Trafton (60)	226	44	65	**335**	28	1	Los Angeles, Cal	F
435	Safeway Stores	[39]William S Mitchell (65)	374	—	—	**374**	43	6	Alameda, Cal	F
172	St Joe Minerals	John C Duncan (59)	347	39	293	**679**	9	8	New York, NY	Oper
487	St Paul Companies	Carl B Drake Jr (60)	302	—	32	**335**	38	7	St Paul, Minn	Inst
363	St Regis Paper	William R Haselton (55)	324	8	108	**439**	27	1	Glens Falls, NY	Tec
749	San Diego Gas & Elec	Robert E Morris (58)	149	—	4	**154**	14	4	Parsons, Kan	Mar
167	Santa Fe Industries	John S Reed (63)	530	35	123	**687**	40	7	Chicago, Ill	Oper
283	Santa Fe Intl	Edfred L Shannon Jr (54)	432	19	65	**516**	26	17	Durant, Okla	Tec
282	Schering-Plough	Richard J Bennett (63)	487	9	20	**516**	33	1	Brooklyn, NY	
187	Schlumberger	Jean Riboud (60)	480	169	—	**649**	29	15	France	
179	SCM	Paul H Elicker (57)	545	4	122	**671**	23	8	New York, NY	Fi
381	Scott Paper	Charles D Dickey Jr (62)	375	1	49	**426**	33	9	New York, NY	Oper
473	Scovill	Malcolm Baldrige (57)	342	—	4	**346**	17	17	Omaha, Neb	Administ
284	Seaboard Coast Line	Prime Osborn III (64)	354	135	27	**516**	28	3	Greensboro, Ala	
525	Seafirst	William M Jenkins (61)	296	11	—	**307**	34	17	Sultan, Wash	Ba
151	G D Searle	Donald H Rumsfeld (47)	418	298	—	**716**	3	3	Chicago, Ill	Administ
136	Sears Roebuck	Edward R Telling (61)	596	—	149	**745**	34	2	Danville, Ill	Ret
268	Security Pacific	Richard J Flamson III (51)	453	6	67	**526**	25	1	Los Angeles, Cal	Ba
715	SEDCO	B Gill Clements (38)	156	—	15	**171**	11	1	Dallas, Tex	Fi
622	Shawmut	[40]D Thomas Trigg (65)	203	1	32	**236**	43	8	Eureka, Kan	Fi
26	Shell Oil	John F Bookout (57)	645	58	1,037	**1,740**	29	4	Shreveport, La	Tech
260	Sherwin-Williams	John G Breen (45)	463	68	3	**534**	1	1	Cleveland, Ohio	Opera
44	Signal Companies	Forrest N Shumway (53)	465	53	731	**1,249**	23	12	Skowhegan, Me	

†For FORBES definitions and methodology see page 116.

[38]Succeeded by Walter H. Weiner, 1/1/80.

[39]Succeeded by Peter A. Magowan, 1/1/80.

[40]To be succeeded by John P. LaWare, 7/1/80.

low A&A views a growing company

Potato chip quality control inspection at Jays Foods, Inc., in Chicago

For an expanding business e a potato chip manufacturer, xander & Alexander experts look operations through an owner's eye. e study the insurance costs of spness and the effects of the ney crunch. Probe for risks in livery routes and avenues for new nt financing.

It's not the focus you usually t on snacks. Unless, of course, u're one of the food firms on A&A's ent roster.

ersonalized sk management

But these inside vantage points e A&A the best view of how to otect a business built with an trepreneur's dreams and drive. s the frame of reference that enles us to assume the function of sk manager for any medium-sized small business. We eyeball every tfall, any opportunity—protect against an owner's personal liabilities; plan the funding of workers' compensation, profit sharing, pensions; deal with life insurance, acquisitions, OSHA requirements; and handle claims as if they were our own.

Every industry is unique. Each has different needs. For insurance, for risk management, for human resources management, for financial services. That's why A&A works from a client's point of view. Only by working as partners, solving business problems together, can we be sure a company gets the most comprehensive, cost-efficient programs possible.

We think our dedication to forming a close alliance with our clients is a big reason why A&A has become one of the biggest and most trusted insurance brokers worldwide. Each of our 120 offices here and overseas offers the facilities, expertise and strength to meet the needs of any company, large or small, in any industry. Because we work the same way with every client. From the client's point of view.

Alexander & Alexander

From the client's point of view.

Who Gets The Most Pay

Rank	Company	Chief executive (Age)	Compensation ($000) Salary & bonus†	Options, rights & benefits†	Contingent†	Total	Years served with company	as chief	Place of birth	ba
396	Singer	Joseph B Flavin (51)	407	—	—	**407**	4	4	St Louis, Mo	
244	Smith International	Jerry W Neely (43)	340	220	—	**560**	14	3	Torrance, Cal	Ope
40	SmithKline	Robert F Dee (55)	406	189	708	**1,303**	31	8	Cincinnati, Ohio	Admini
552	Snap-On Tools	[41]Norman E Lutz (65)	285	—	—	**285**	34	5	Racine, Wisc	
694	Society	J Maurice Struchen (59)	203	12	–29	**186**	10	4	Cleveland, Ohio	
789	So Carolina E & G	Virgil C Summer (59)	113	4	3	**120**	42	1	Spartanburg, SC	Ope
735	South Carolina Natl	John H Lumpkin (64)	151	11	—	**162**	15	11	Fairbanks, Alas	
615	Southeast Banking	Charles J Zwick (53)	213	31	–	**244**	11	1	Plantsville, Conn	
730	Southern Bancorp Ala	Guy H Caffey Jr (54)	150	—	14	**164**	29	7	Verbena, Ala	
551	So Calif Edison	[42]Jack K Horton (64)	273	4	8	**285**	21	15	Stanton, Neb	
570	Southern Company	Alvin W Vogtle Jr (61)	262	11	–	**273**	39	10	Birmingham, Ala	
238	So Natural Resources	[43]John S Shaw Jr (64)	283	198	88	**569**	19	12	New Orleans, La	
687	So New England Tel	Alfred W Van Sinderen (56)	150	35	7	**192**	32	12	Brooklyn, NY	Ope
209	Southern Pacific	Benjamin F Biaggini (64)	611	—	11	**622**	43	12	New Orleans, La	Te
413	Southern Railway	L Stanley Crane (64)	267	1	128	**396**	43	3	Cincinnati, Ohio	Ope
372	Southland	John P Thompson (54)	364	31	36	**432**	31	19	Dallas, Tex	
408	Southland Royalty	Jon Brumley (41)	250	81	71	**401**	13	6	Pampa, Tex	Adminis
606	Southwest Bancshs	John T Cater (44)	236	—	12	**248**	3	3	Temple, Tex	
536	Southwestern Life	William H Seay (60)	269	13	15	**297**	11	11	Dallas, Tex	
140	Sperry	J Paul Lyet (63)	549	52	134	**736**	36	7	Philadelphia, Pa	
332	Square D	Mitchell P Kartalia (67)	435	29	—	**464**	39	12	Yukon, Pa	Ma
366	Squibb	Richard M Furlaud (57)	477	—	–41	**436**	24	14	New York, NY	
522	A E Staley Mfg	Donald E Nordlund (58)	298	8	3	**309**	24	7	Stromsburg, Neb	Adminis
204	Standard Brands	F Ross Johnson (48)	489	13	125	**627**	9	4	Winnipeg, Can	
118	Standard Oil Calif	Harold J Haynes (54)	792	2	-	**794**	33	6	Fort Worth, Tex	Prod
4	Standard Oil Ind	John E Swearingen (61)	614	25	3,011	**3,650**	41	19	Columbia, SC	Prod
93	Standard Oil Ohio	Alton W Whitehouse Jr (52)	400	60	405	**864**	11	2	Albany, NY	
308	Stanley Works	Donald W Davis (59)	342	52	97	**490**	32	14	Springfield, Mass	Adminis
628	State Street Boston	William S Edgerly (53)	225	—	5	**230**	4	4	Lewiston, Me	
262	Stauffer Chemical	H Barclay Morley (51)	368	1	163	**533**	17	6	Sydney, Can	Te
384	Sterling Drug	Dr W Clarke Wescoe (60)	380	1	42	**424**	10	6	Allentown, Pa	Te
333	J P Stevens	[44]James D Finley (63)	450	13	—	**463**	34	10	Jackson, Ga	
616	Stop & Shop	Avram J Goldberg (50)	237	3	3	**244**	22	1	Boston, Mass	
60	Storage Technology	Jesse I Aweida (49)	500	4	596	**1,100**	10	10	Palestine	
790	Sumitomo Bank Cal	Nimei Akamatsu (51)	110	9	—	**119**	7	1	Japan	B
754	Sun Banks of Florida	Richard F Livingston (60)	150	—	—	**150**	39	6	Daytona Beach, Fla	B
64	Sun Company	Theodore A Burtis (58)	494	20	523	**1,037**	13	1	Jamaica, NY	Te
533	Sunbeam	Robert P Gwinn (73)	292	2	6	**300**	44	25	Anderson, Ind	
460	Sundstrand	[45]James W Ethington (62)	288	70	—	**359**	42	1	Terre Haute, Ind	
180	Super Valu Stores	Jack J Crocker (55)	267	399	—	**666**	7	7	Portland, Ore	Re
8	Superior Oil	Howard B Keck (67)	648	19	2,219	**2,886**	46	27	Trinidad	Admini
476	Supermarkets General	Herbert Brody (65)	335	3	5	**343**	24	1	Philadelphia, Pa	
620	Supron Energy	Alvin M Wiederkehr (57)	234	–	5	**239**	28	8	Freer, Tex	Oper
532	Sysco	John F Baugh (64)	300		—	**300**	34	10	Waco, Tex	
509	Tandy	Phil R North (61)	285	34	—	**319**	14	1	Fort Worth, Tex	Adminis
777	Tecumseh Products	Kenneth G Herrick (59)	133	—	—	**133**	40	9	Jackson, Mich	Prod
122	Tektronix	Earl Wantland (48)	222	125	440	**786**	25	5	Bridge, Ore	Admini
292	Teledyne	Henry E Singleton (63)	500	9	—	**509**	19	19	Haslet, Tex	
102	Tenneco	James L Ketelsen (49)	511	8	332	**851**	13	1	Davenport, Iowa	
670	Tenn Valley Bancorp	William F Earthman (54)	168	26	6	**200**	26	8	Nashville, Tenn	

†For FORBES definitions and methodology see page 116.

[41]Succeeded by Edwin C. Schindler, 4/25/80.
[42]To be succeeded by William R. Gould, 7/1/80.
[43]Succeeded by Henry C. Goodrich, 5/8/80.
[44]Succeeded by Whitney Stevens, 1/1/80.
[45]Succeeded by Evans W. Erikson, 1/1/80.

Company	Chief executive (Age)	Compensation ($000) Salary & bonus†	Options, rights & benefits†	Contingent†	Total	Years served with company	as chief	Place of birth	Business background
Tesoro Petroleum	**Robert V West Jr** (59)	364	8	379	**751**	24	15	Kansas City, Mo	Founder
Texaco	**Maurice F Granville** (64)	757	212	152	**1,122**	41	8	La Grange, Tex	Technical
Texas American Bshs	**Lewis H Bond** (58)	191	—	7	**198**	28	15	Ashport, Tenn	Banking
Texas Commerce Bshs	**Ben F Love** (55)	355	185	104	**644**	13	7	Vernon, Tex	Finance
Texas Eastern	**[46]George F Kirby** (63)	328	13	166	**507**	10	7	Cheneyville, La	Administration
Texas Gas Transmn	**Dennis R Hendrix** (40)	314	13	6	**333**	7	2	Selmer, Tenn	Finance
Texas Instruments	**Mark Shepherd Jr** (57)	435	42	138	**614**	32	11	Dallas, Tex	Technical
Texas Oil & Gas	**William L Hutchison** (48)	275	300	592	**1,167**	22	4	Dallas, Tex	Legal
Texas Utilities	**T Louis Austin Jr** (61)	208	13	—	**222**	27	7	Trenton, Tenn	Production
Texasgulf	**Charles F Fogarty** (59)	326	26	74	**426**	28	6	Denver, Colo	Technical
Textron	**[47]Joseph B Collinson** (65)	371	80	31	**483**	20	2	Raymond, Ohio	Finance
Third National	**Charles J Kane** (60)	154	9	9	**172**	5	4	Louisville, Ky	Banking
Tiger International	**Wayne M Hoffman** (57)	388	87	127	**602**	12	9	Chicago, Ill	Legal
Time Inc	**Andrew Heiskell** (64)	508	51	51	**609**	43	10	Italy	Operations
Times Mirror	**Franklin D Murphy** (64)	450	76	—	**525**	11	11	Kansas City, Mo	Administration
Timken	**Joseph F Toot Jr** (45)	258	—	30	**287**	18	1	Canton, Ohio	Administration
Toledo Edison	**John P Williamson** (58)	136	2	3	**141**	29	7	Cleveland, Ohio	Finance
Tom Brown	**Thomas C Brown** (53)	84	25	—	**108**	24	24	Akron, Ohio	Founder
Tosco	**Morton M Winston** (49)	375	1,520	179	**2,074**	16	4	New York, NY	Legal
Trans Union	**Jerome W Van Gorkom** (62)	449	—	95	**544**	23	17	Denver, Colo	Finance
Trans World	**L Edwin Smart** (56)	246	1	70	**317**	13	3	Columbus, Ohio	Legal
Transamerica	**John R Beckett** (62)	720	18	—	**738**	19	14	San Francisco, Cal	Administration
Transco Companies	**William J Bowen** (58)	304	41	962	**1,307**	5	5	Sweetwater, Tex	Operations
TRANSOHIO Financial	**Warner B Bishop** (61)	238	56	11	**305**	17	17	Lakewood, Ohio	Administration
Travelers	**Morrison H Beach** (63)	496	8	77	**581**	40	7	Winsted, Conn	Insurance
Trust Co of Georgia	**Robert Strickland** (53)	181	1	13	**195**	31	3	Atlanta, Ga	Banking
TRW	**Ruben F Mettler** (56)	540	3	47	**590**	25	2	Shafter, Cal	Technical
Tucson Electric Power	**Theodore M Welp** (46)	122	19	—	**140**	6	4	San Francisco, Cal	Finance
Turner Construction	**Walter B Shaw** (60)	253	26	32	**312**	39	3	New York, NY	Operations
Twentieth Century-Fox	**Dennis C Stanfill** (53)	655	15	–125	**545**	10	8	Centerville, Tenn	Finance
UAL	**Richard J Ferris** (44)	394	20	—	**414**	8	1	Sacramento, Cal	Administration
Union Camp	**Alexander Calder Jr** (63)	364	—	161	**524**	39	20	Brooklyn, NY	Marketing
Union Carbide	**William S Sneath** (54)	639	9	25	**674**	29	3	Buffalo, NY	Finance
Union Commerce	**Lyman H Treadway III** (50)	123	—	—	**123**	10	1	Cleveland, Ohio	Banking
Union Electric	**Charles J Dougherty** (61)	215	1	4	**220**	39	12	Clayton, Mo	Legal
Union Oil California	**Fred L Hartley** (63)	746	97	1,074	**1,917**	41	15	Vancouver, Can	Technical
Union Pacific	**James H Evans** (60)	834	97	1,381	**2,312**	11	2	Lansing, Mich	Administration
Uniroyal	**[48]David Beretta** (51)	279	25	—	**305**	27	5	Cranston, RI	Technical
United Bank Corp NY	**Peter D Kiernan** (56)	215	5	—	**220**	6	6	Albany, NY	Insurance
United Banks of Colo	**N Berne Hart** (50)	111	16	24	**152**	26	1	Denver, Colo	Banking
United Brands	**Seymour Milstein** (59)	450	3	—	**453**	5	3	New York, NY	Operations
Utd Energy Resources	**J Hugh Roff Jr** (48)	365	27	14	**406**	6	6	Wewoka, Okla	Legal
United Jersey Banks	**[49]Edward A Jesser Jr** (63)	211	—	—	**211**	20	17	New York, NY	Banking
United Missouri Bshs	**R Crosby Kemper** (53)	134	5	11	**150**	30	10	Kansas City, Mo	Administration
U S Bancorp	**John A Elorriaga** (56)	281	17	13	**310**	29	5	Jordan Valley, Ore	Administration
U S Fidelity & Gty	**Williford Gragg** (66)	282	59	—	**341**	42	7	Memphis, Tenn	Insurance
United States Gypsum	**Graham J Morgan** (62)	487	—	226	**713**	40	15	Aurora, Ill	Marketing
U S Home	**Guy R Odom** (49)	270	41	267	**577**	8	3	Groveton, Tex	Operations
U S Industries	**I John Billera** (67)	429	90	58	**577**	27	15	New York, NY	Finance
United States Steel	**David M Roderick** (56)	360	1	14	**376**	21	1	Pittsburgh, Pa	Finance

FORBES definitions and methodology see page 116.

[46]Succeeded By I. David Bufkin, 4/80.
[47]Succeeded by Robert P. Straetz, 1/1/80.
[48]Succeeded by Joseph P. Flannery, 2/20/80.
[49]Succeeded by Richard L. Wines, 1/1/80.

Who Gets The Most Pay

Rank	Company	Chief executive (Age)	Compensation ($000) Salary & bonus†	Options, rights & benefits†	Contingent†	Total	Years served with company	Years served as chief	Place of birth	ba
562	**United States Trust**	**Tom Killefer** (63)	278	—	—	**278**	4	4	Los Angeles, Cal	
63	**United Technologies**	**Harry J Gray** (60)	804	34	200	**1,037**	8	7	Milledgeville, Ga	Admini
459	**United Telecom**	**Paul H Henson** (54)	316	9	35	**359**	21	13	Bennet, Neb	T
607	**United Va Bankshares**	**Joseph A Jennings** (59)	228	1	19	**248**	42	3	Richmond, Va	
585	**Universal Leaf**	**Gordon L Crenshaw** (58)	182	—	81	**263**	34	14	Richmond, Va	
468	**Upjohn**	**Ray T Parfet Jr** (57)	311	43	—	**354**	32	18	Port Huron, Mich	
196	**USLIFE**	**Gordon E Crosby Jr** (59)	385	138	116	**639**	21	14	Remsen, Iowa	
797	**Utah Power & Light**	**Harry Blundell** (55)	95	—	5	**99**	31	1	Salt Lake City, Utah	
618	**Valero Energy**	**William E Greehey** (44)	227	—	14	**241**	16	6	Fort Dodge, Iowa	
464	**Valley Natl Bk Ariz**	**Gilbert F Bradley** (60)	281	15	60	**357**	43	4	Miami, Ariz	Admini
682	**Va Electric & Power**	**T Justin Moore Jr** (55)	187	—	6	**194**	20	2	Richmond, Va	
617	**Virginia Natl Bshs**	**[50]W Wright Harrison** (64)	238	—	4	**242**	38	10	Kingston, NY	E
460	**Vulcan Materials**	**W Houston Blount** (58)	332	22	52	**406**	25	1	Union Springs, Ala	Ope
639	**Wachovia**	**John G Medlin Jr** (46)	218	2	2	**222**	21	3	Benson, NC	E
743	**Wal-Mart Stores**	**Sam M Walton** (62)	150	—	7	**157**	35	4	Kingfisher, Okla	E
634	**Waldbaum**	**Ira Waldbaum** (51)	224	—	—	**224**	33	31	Brooklyn, NY	Adminis
595	**Walgreen**	**Charles R Walgreen III** (44)	227	2	28	**257**	28	9	Chicago, Ill	Ope
475	**Wang Laboratories**	**An Wang** (60)	267	—	76	**343**	29	29	China	E
2	**Warner Commun**	**Steven J Ross** (52)	1,210	2,696	1,199	**5,105**	18	18	New York, NY	I
336	**Warner-Lambert**	**Ward S Hagan** (60)	445	13	—	**458**	10	2	Sioux City, Iowa	Ma
728	**Washington National**	**Stanley P Hutchison** (56)	146	3	16	**165**	33	4	Joliet, Ill	
107	**Waste Management**	**Dean L Buntrock** (49)	336	502	2	**840**	23	12	Columbia, SD	F
328	**Wells Fargo**	**Richard P Cooley** (56)	445	6	15	**466**	30	13	Dallas, Tex	I
504	**West Point-Pepperell**	**Joseph L Lanier Jr** (48)	270	16	34	**321**	23	4	Lanett, Ala	Ope
67	**Western Air Lines**	**Dominic P Renda** (66)	391	28	595	**1,014**	34	1	Steubenville, Ohio	
129	**Western Bancorp**	**Joseph J Pinola** (55)	350	15	402	**767**	4	2	Pittston, Pa	B
624	**Western Financial**	**Gary H Driggs** (45)	225	7	3	**235**	18	4	Phoenix, Ariz	B
636	**Western Union**	**Robert M Flanagan** (50)	178	41	3	**223**	6	1	Springfield, Mass	F
120	**Westinghouse Elec**	**Robert E Kirby** (61)	542	4	246	**792**	34	5	Ames, Iowa	Te
472	**Westvaco**	**David L Luke III** (56)	339	8	—	**347**	28	16	Tyrone, Pa	F
662	**Wetterau**	**Ted C Wetterau** (52)	197	10	—	**207**	28	10	St Louis, Mo	Ma
224	**Weyerhaeuser**	**George H Weyerhaeuser** (53)	433	5	156	**594**	30	14	Seattle, Wash	Proc
84	**Wheelabrator-Frye**	**Michael D Dingman** (48)	718	44	148	**910**	10	9	New Haven, Conn	F
402	**Wheeling-Pitts Steel**	**Dennis J Carney** (59)	355	26	24	**405**	6	2	Charleroi, Pa	Ope
241	**Whirlpool**	**John H Platts** (62)	373	—	191	**564**	39	8	Detroit, Mich	
220	**White Consolidated**	**Roy H Holdt** (59)	469	32	106	**606**	38	3	Edgewood, Md	F
591	**White Motor**	**Cruse W Moss** (54)	233§	1	23	**257**	1	1	Kent, Ohio	Ope
727	**Whitney Holding**	**Patrick A Delaney** (48)	150	--	15	**165**	26	3	New Orleans, La	B
327	**Whittaker**	**Joseph F Alibrandi** (51)	379	77	11	**467**	9	5	Boston, Mass	Adminis
210	**Wickes**	**Emil L McNeely** (61)	396	61	165	**621**	15	9	Pattonsburg, Mo	Ma
600	**Willamette Inds**	**Gene D Knudson** (63)	243	10	—	**253**	30	6	Washtucna, Wash	Prod
229	**Williams Companies**	**Joseph H Williams** (47)	340	34	209	**583**	21	1	Tulsa, Okla	Ope
378	**Winn-Dixie Stores**	**Bert L THOMAS** (62)	395	—	33	**428**	34	14	Malad, Ida	Adminis
713	**Wisconsin Elec Pwr**	**Charles S McNeer** (54)	164	2	6	**172**	30	4	Gilbert, W Va	Te
594	**Witco Chemical**	**William Wishnick** (55)	254	3	—	**257**	30	8	New York, NY	Adminis
371	**F W Woolworth**	**Edward F Gibbons** (60)	432	—	—	**432**	6	3	Boston, Mass	F
73	**Xerox**	**C Peter McColough** (57)	737	74	163	**973**	25	12	Halifax, Can	
565	**Zale**	**Donald Zale** (47)	253	24	—	**277**	25	9	Wichita Falls, Tex	Ma
235	**Zayre**	**Maurice Segall** (51)	542	30	—	**572**	2	2	Joliet, Can	Re
603	**Zenith Radio**	**Joseph S Wright** (69)	250*	—	—	**250**	28	21	Portland, Ore	
613	**Zions Utah Bancorp**	**Roy W Simmons** (64)	151	—	94	**245**	16	11	Portland, Ore	Adminis

†For FORBES definitions and methodology see page 116.
§CEO joined company in 1979; salary data less than full year.
*Salary annualized.
[50]Succeeded by Clifford A. Cutchins III, 1/1/80.

WHEN YOU WANT TO CONCENTRATE THE RECEIPTS OF ALL YOUR CANADIAN OUTLETS (AS IF THEY WERE IN THE SAME BUILDING)

OUR SOLUTION:

If you do business in Canada, and you need Cash Management services as good or better than you're getting at home, Bank of Montreal can help.

Our FirstBank Cash Concentrator Service, for example, concentrates deposits from each of your Canadian locations instantaneously – on a "real time" basis. Over 1100 on-line Bank of Montreal locations across the country credit deposits to your central Canadian account *as they are made.* This helps keep your company's money close at hand, immediately available to you.

UNSURPASSED SERVICES

We believe Bank of Montreal customers now have available to them Cash Management services unsurpassed anywhere. Some examples:

Our new FirstBank Consolidated Balance Service, which

provides you with clear, error-free reports on all your Current Account balances at any on-line branch nationwide.

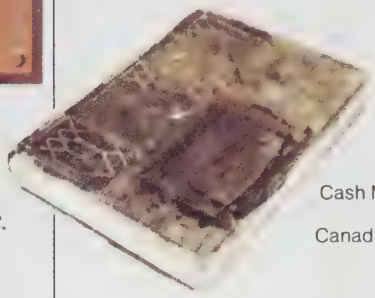
We also have the Money Desk,™ lock box service, zero balancing and many other Cash Management tools available to meet your special needs.

Now, when you're looking for Cash Management services in Canada as good or better than you're getting at home, you have our credentials.

THE FIRST CANADIAN BANK

Bank of Montreal was, indeed, the first bank established in Canada, in 1817. And the first to venture outside of Canada, to the U.S. and England, in 1818.

But to us, "first" is more than a date. It's an attitude.



The Bank's first ledger. Cash Management is as old as Canadian business

We intend to live up to the "first" in The First Canadian Bank, worldwide.

This advertisement is neither an offer to sell nor a solicitation of offers to buy any of these securities. The offering is made only by the Prospectus.

NEW ISSUE

May 9, 1980

$100,000,000

Boise Cascade Corporation

10.45% Notes Due 1990

Price 100%

plus accrued interest, if any, from May 15, 1980

Copies of the Prospectus may be obtained from any of the several underwriters, including the undersigned, only in States in which such underwriters are qualified to act as dealers in securities and in which the Prospectus may legally be distributed.

The First Boston Corporation

Lazard Frères & Co.

Salomon Brothers

Goldman, Sachs & Co.

Kidder, Peabody & Co. Incorporated

Merrill Lynch White Weld Capital Markets Group Merrill Lynch, Pierce, Fenner & Smith Incorporated

Bache Halsey Stuart Shields Incorporated

Bear, Stearns & Co.

Blyth Eastman Paine Webber Incorporated

Dillon, Read & Co. Inc.

Donaldson, Lufkin & Jenrette Securities Corporation

Drexel Burnham Lambert Incorporated

E. F. Hutton & Company Inc.

Lehman Brothers Kuhn Loeb Incorporated

L. F. Rothschild, Unterberg, Towbin

Shearson Loeb Rhoades Inc.

Smith Barney, Harris Upham & Co. Incorporated

Warburg Paribas Becker A. G. Becker

Wertheim & Co., Inc.

Dean Witter Reynolds Inc.

interest rate, like any price, simply brings demand and supply balance. There are some who think it reveals monetary policy.

What made the Fed switch signals? Or did it?

HIS SPRING'S PRECIPITOUS DROP in short-term interest rates was the Federal Reserve Board's signal that ancial crisis is over and the Fed is up. If that is how you read the on you are dead wrong, says Em- . Rice, a former senior vice presi- f the National Bank of Washington and currently one of the seven l Reserve Board governors. Says "It is no longer valid to view es in interest rates as signaling a in policy. A decline in interest reflects a decline in demand for , not a shift away from a policy of ary restraint."

adds firmly: "The Fed isn't aban- its policy of monetary restraint." t's going on then? According to he Fed, through its usual tools of narket operations and reserve re- ients, is working to hold growth in the narrowly defined money sup- thin a target band of 3½% to 6%. makes interest rates fluctuate? the demand for money. The Fed, ct, will see that enough money is le to assure slow, steady growth in oney supply. If demand is high, t rates will rise to ration available to the highest bidders. If demand dit is low, interest rates will drop courage borrowing. Like any the interest rates bring demand lance with supply. But you can't e Fed's intention on money sup- week-to-week or even month-to- changes in the aggregates; the n't fine tune to that extent. It's the nge, six months to a year, that , and in that the Fed remains firm. ce is correct, the sharp drop in t rates reflects a slowing of the ny—of the demand for money— than a change in Fed policy.

Chairman Paul A. Volcker has said the same thing: "It's dangerous to assume the changes in interest rates are a flip-flop in monetary policy."

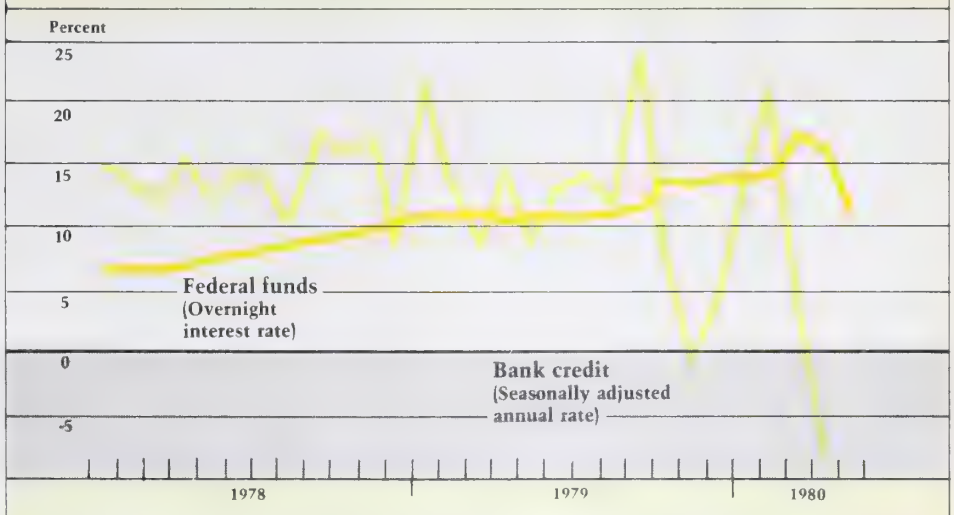
The figures bear out what Rice and Volcker say. While interest rates were falling, the money supply was shrinking. As measured by M1-A, it fell from $376.4 billion to $365.5 billion between Mar. 12 and Apr. 30—a stomach-wrenching drop.

Warns Emmett Rice: "Any significant change in Fed policy must be found in long-run trends of the aggregates. Don't let declining interest rates mislead you. They are a sign of a weakening economy, not of a change in Fed policy."

Of course if inflation continues at a high rate, interest rates won't drop much further. At a certain point people will borrow to arbitrage between the inflation and interest rates. Only a decline in the inflation rate will lower interest rates further and keep them down. Volcker: "Look around the world. The countries that have been most successful in curbing monetary growth and inflation have the lowest interest rates." ■

It only looks inconsistent

The level of bank lending and investment—a consequence of Federal Reserve monetary policy—bounces sharply month-to-month, but there is no mistaking the present policy of cutting back. Clearly, the banks are doing less lending. The federal funds rate is falling, not to make borrowing cheaper, but because of slack demand.



Sources: Citibank, Federal Reserve Board, FORBES.

Annualized it comes to a rate of decline of 22%—unsustainable. This means there was insufficient *demand* for credit at 20%-plus interest rates to absorb the potential *supply*. So interest rates fell and will keep falling until the economy takes as much money as the Fed is willing to supply—but not any more than the Fed wants it to have.

You could buy tax-exempt bonds only to discover the interest is not tax deductible.

GAMES BOND DEALERS PLAY

By Ben Weberman

UNDERWRITERS and peddlers of tax-exempt bonds have a knack of wrapping themselves in the flag. Isn't what they are doing socially desirable? Isn't home ownership something we all want to encourage?

Wrapped in this flag, the tax-exempt fraternity is raising money for financing such things as $225,000 houses in San Francisco and shopping centers. Do shopping-center operators and owners of $225,000 homes really deserve to have their interest costs subsidized by the U.S. Treasury? At the same time they are taking tax-savings deductions for property taxes and interest.

Here's another doubtful practice: Some municipalities are selling tax-free housing bonds at the low interest cost that federal income-tax exemption makes possible; they then turn around and invest the proceeds at a profit in higher-yielding taxable (but not for them) securities.

Is this what Congress and the courts intended long ago when they ruled that interest on obligations of state and local governments is exempt from the federal income tax? No, it isn't, but where there's a way, the tax-exempt boys have the will.

These little games also produce a nice profit for some smart investors. Today's high interest rates have dropped the price of many of the tax-exempt housing issues well below par. However, since beneficiaries of the issue pay principal as well as interest, these bonds are gradually paid off before maturity—at par—even though the bonds theoretically may be decades from maturity. So, investors are getting a nice capital gain. Socially desirable? Come on now, fellows.

You want to hear more? Take industrial development bonds. The concept was originated to help poverty-stricken southern states—our own less developed counties. They were permitted to sell bonds in the name of a community to build a factory. The security is the lease of facilities.

What are the industrial development bonds being used for today? McDonald's Corp. is building hamburger facilities with proceeds from tax-free bonds. K mart stores must also have a social purpose. How about dental offices? Yup. The kids' braces must be socially desirable, too.

The Congressional Budget Office has calculated that about $7 billion of small-issue industrial development bonds were sold last year. Pearl Richardson, staff member of the Budget Office, says many of the issues had no demonstrable public purpose.

The bond fraternity is worried. It fears so many abuses will crop up that the public and Congress will become overly restrictive, and perhaps even do away with tax-exempt interest completely. One bank in Oregon reports that it has purchased so many of the high-yielding special purpose tax-free bonds that it has not taken any regular state and local government general obligations in years. That means the government that wants to build a bridge, a sewer or a town hall has a lower priority than McDonald's.

Representative Al Ullman (D–Ore.), who heads the tax-writing Ways & Means Committee, tried to cut off sale of the city and county housing mortgage bonds. The bill is still in committee. Meanwhile, more than $10 billion of these issues have come to market this year despite a supposed cutoff date last October. Senator Russell B. Long (D–La.), who heads the Senate Finance Committee, recently told issuers to go ahead and sell all they want because the Ullman proposal, if it passes the House, would never go through the Senate.

Abuses are mounting daily. Con er this one: An advance refunded sue is one created when an issu government sells a second, similar fering and puts the proceeds in crow—usually invested in U.S. T sury issues—to assure payment of first issue. The stated purpose is save interest cost on the first iss The real purpose in many cases is make a profit for the local gove ment between the tax-exempt b interest cost and the yield on the t able escrowed securities. Arbitr pure and simple.

The Internal Revenue Service set strict limits on advance refund proceeds investments. Any gove ment that exceeded these restrictio was told its securities were no lon in the tax-exempt interest category

Nevertheless, several months a tempted by high interest rates in market, many of the governme were convinced by underwriters a lawyers to cash in their escrowed curities and buy higher-yielding n securities for escrow. How did th keep the earnings within the arbitra limitations? The underwriters a lawyers charged exorbitant fees a applied the fees to the interest diff ential. This brought the earnings the community down to the IRS ar trage limits.

But the IRS has now stated publi that it considers many of these issu to no longer be tax free. It won't s which, because it is still auditing.

As a result, billions of dollars outstanding prerefunded bond issu are now under a cloud. My advice Stay away from issues of this ty unless you are sure they are not bei scrutinized by the IRS. The agency auditing prerefunded issues to det mine if they have, in fact, exceed the arbitrage limits that would ma their interest taxable. Some issu whose names have cropped up as b ing scrutinized include Forest Hi School Authority, Penna., Purcha Line School District School Buildi Authority, Penna., even Marico County, Ariz., to name a few.

Look at what Purchase has do For a $5 million facility, it borrow over $5 million in 1975, refunded th in 1976 and refunded again in 197 Today $20 million of debt is outstan ing earning large arbitrage profi thanks to a $5 million schoolhouse.

When the Feds finally crack dow the bondholders may find themselv holding taxable bonds when they pa for tax-exempts. ■

Ben Weberman is economics editor of FORBES *magazine.*

The Professionals.

Experience, stature and leadership. The International Monetary Market.

When it comes to experience in financial futures, there is simply no close second to the International Monetary Market. It pioneered financial futures trading in 1972. The IMM traded only financial futures then—as it does now. Its brokers were drawn originally from experienced futures traders with years of background in the mechanics of trading. Quick to join them were experts from the fields of government securities dealers, the interbank foreign exchange market and bullion traders. Today the trading sophistication of these brokers is unparalleled in the futures industry.

The IMM is the pre-eminent financial futures market—offering twelve contracts covering the spectrum of the financial world: 90-Day Treasury Bills, 1-Year Treasury Bills, 4-Year Treasury notes, Gold, British Pounds, Deutsche Marks, Canadian Dollars, Mexican Pesos, French Francs, Japanese Yen, Swiss Francs and Dutch Guilders.

No other exchange has the breadth of contracts nor the depth of personnel—over 1000 member traders—to handle enormous trading volume on a worldwide basis.

The IMM has been hailed in government and financial circles as the leading exchange in the all-important function of protecting its customers' investments. There are numerous safeguards to insure this. But the most important one is the IMM clearing system. Each business day the change in value of every open contract is compensated for by a cash settlement. An example of how efficiently the system operates occurred in 1976 when the Mexican Peso was devalued more than 40% against the dollar.

Despite this massive readjustment, the Peso continued to trade and no defaults occurred —in fact there has never been a default on the IMM.

No other financial futures exchange can match the proven professionalism of the International Monetary Market.

For additional information on the IMM, call toll-free 800-228-2027; in Nebraska 402-571-4900; in London 01-920-0722.

INTERNATIONAL MONETARY MARKET®

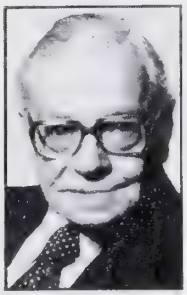
Division of Chicago Mercantile Exchange®

Offices in New York and London.

Seven postwar recessions have been aborted before the excesses were corrected. Can we really expect this one to be different?

PRESSURES WILL MOUNT

By Heinz H. Biel



THE ECONOMIC picture has become much clearer in recent weeks, but that doesn't make the outlook any brighter. The recession is here, and for some industries it has come with a vengeance. No one talks about it any longer as likely to be brief, with a "soft landing" assured. Now the headlines read: "Executives Predict Steep Slump."

Even executives have been known to be wrong at times—like everybody else—but the pinch is being felt more and more strongly. First-quarter earnings reports were "mixed." Some were remarkably good; others were just plain awful. Second- and third-quarter results are likely to be less mixed. A much larger number would fall into the "disappointing" category.

The one question we all would like to have answered is how steep and how long, but since so much depends on what we are going to do about this recession, any forecast would be little better than a guess.

Professional economists count seven recessions since the end of World War II. None of them was allowed to run its course. They all were aborted before the excesses and imbalances created by the preceding period of expansion were fully corrected. After some struggling, even Eisenhower caved in and yielded to the mounting pressure that he do something to turn the economy around. By the time he gave it the needle, there really was no longer a need for artificial stimulants. Do you think that the present Administration has a stronger backbone, particularly in an election year?

President Carter has cited the decline in interest rates and the smaller rate of increase in wholesale prices as an indication of progress in the battle against inflation. Well, let him have this illusion. When you make credit hard to get and very expensive, thanks to the Fed's monetary restraints, the demand for credit is bound to subside. Wholesale prices are also affected by the high cost of borrowed money and a slackening demand. "The country ought to give a medal to Paul Volcker," said Du Pont Chairman Irving S. Shapiro the other day. I couldn't agree more.

But greater pain lies ahead. The unemployment rate will be up to 7½% to 8% before long. This will make things look worse than they actually are, because so many people have second and/or unrecorded jobs, but high unemployment figures are political poison. It is a safe prediction that Mr. Carter will be subjected to ever greater pressures to end the recession, to alleviate the human suffering, to get the country going again. Politicians and labor leaders will form a united front, and businessmen who see their profits shrink will chime in, demanding protection against foreign imports, subsidies for housing, easier credit, etc. It's nothing new. We have seen it all before.

And what will Mr. Carter do? Will he use the powers of his office to prevail on Mr. Volcker to ease up on the Fed's credit and money growth restraints? Will he yield to demands for a large tax reduction and for makework programs à la WPA? And how will Paul Volcker react when the heat is turned on?

The stock market is as aware of these questions as you and I. All things considered, it has been remarkably unruffled lately even though it looks a bit shaky at times. There is a tendency to look across the valley, as the saying goes, visualizing a business upturn coming in the not too very far future, maybe late this year or in early 1981. Indicative may be the rather confident attitude of *Arvin Indust* (10), whose business is two-thi automotive, and whose first-qua profits slumped to 6 cents a sh from 94 cents the year before. Beca of its greatly strengthened finan position, Arvin intends to maint its present $1.12 dividend rate, spite expected poor earnings for least the next two quarters.

It is also noteworthy that prices stocks of the major forest produ companies, whose outlook is mur seem to have stabilized. They m have a bad year every once in while—and 1980 is sure to be on but the good and unique thing ab this industry is that trees you d cut this year will keep growing and more valuable next year. Despite mediocre near-term oulook, rep sentation in stocks like *Weyerhaeu* (31), *Georgia-Pacific* (25), *Louisia Pacific* (21), *International Paper* (3 *Crown Zellerbach* (41), to mention j a few, seems fully warranted. Th risk/reward ratio is now favorable.

Investors are puzzled by the p market action of *Boeing* (34), desp an excellent first-quarter report ($1 a share *vs.* $1.12) and foreseeably g earnings for the next several yea Some hard-pressed airlines may h to cancel orders, but basically th are postponements, because sooner later this equipment will be need Meanwhile noncommercial gove ment business is likely to increa taking up any possible slack. I gi Boeing a *buy/hold* rating.

Whenever the stock of "his" co pany falls to a level that Henry Singleton thinks is stupidly low, li 91 in April, he pulls another rabbit c of his hat. *Teledyne's* (121) offer exchange a million (or more) comm shares for a 10% debenture at the r of $160 par value for each share stock propelled it toward its old (19 high. Teledyne's devoted followe including myself, love it.

Colgate-Palmolive (14), a divide payer since 1895, is now a batter blue chip, down over 60% from high just a few years ago. To be sure, is not easy to have to play seco fiddle to Procter & Gamble, but C gate's management also made m takes of its own, requiring he writeoffs last year. New people are the helm now, and earnings are e pected to hold up well this year. T $1.08 dividend rate should be secu Recent activity in the stock may attributable to unsubstantiated tak over rumors. I like the stock as limited risk speculation. ■

Heinz H. Biel is a vice president of the NYSE firm of Janney Montgomery Scott

Ashland reports record 6 months earnings.

Announces breakthrough in refining technology.

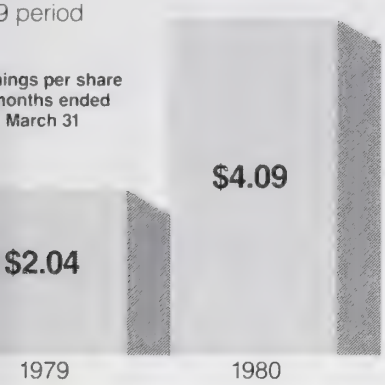
Ashland Oil's recently released 6 nths report brought good news to the npany and its stockholders—and to rgy users everywhere

The financial part of the story made ory. The technological part could ke history.

Together they've elevated Ashland s strongest financial and competitive dition ever.

ncome up to record $123 million.

For the first 6 months ended March 1980, Ashland reported record ome of $123.3 million vs. $77.9 mil- for the same period last year—an ease of 58%. This included a non- urring gain of $16.5 million in the first of fiscal 1980 and a nonrecurring 3 million loss in the corresponding 9 period



Primary earnings (including non- urring items) rose to $4.09 per share $2.04 per share in 1979

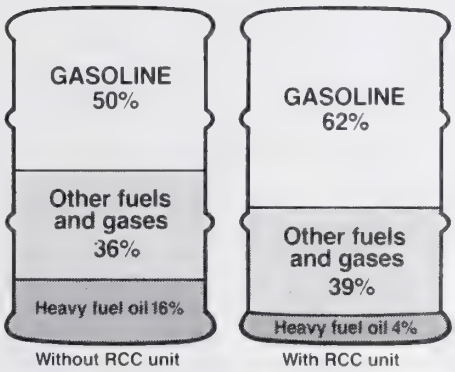
Sales and operating revenues for 6 months period totaled $4 billion up from $2.96 billion last year. Reve- s for the quarter ended March 31, 0, increased 38% to just over $2 bil- and net income increased 74% to 4 million.

Ashland's technological feats are oing pace with its financial ones. For mple

25% greater gasoline yield.

Ashland recently announced a lutionary new refining process that

More gasoline from the same barrel of crude.



(Processing gains In terms of volume the total output of products is greater than the input)

could increase the yield of gasoline from a barrel of heavy, high-sulfur crude oil Perhaps by as much as 25%. Called Reduced Crude Conversion (RCC), the process offers Ashland unique advantages as the U.S. adjusts to the use of the greater amounts of heavy, high-sulfur crude oil that should be available in the international crude oil market in this decade

Dr. John C. Sawhill, Deputy Secretary of Energy, hailed the Ashland process as "an important plus in helping solve our energy problems."

Ashland has successfully tested the RCC process for two years at the company's Catlettsburg, Kentucky refinery. A 40,000-barrel-a-day convertor is planned with a target start-up date of early 1982

60-million-gallon ethanol plant.

Another significant energy development is a proposed joint-venture 60-million-gallon-a-year ethanol plant to be built at South Point, Ohio

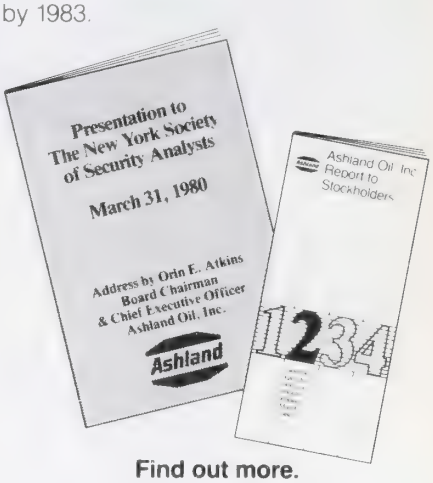
The ethanol would be used to make gasohol. The plant will consume 24 million bushels of corn a year and will displace about 1.5 million barrels of imported crude oil per year. The ethanol produced will account for roughly 12% of President Carter's immediate production goals of 500 million gallons a year.

The South Point facility will be the nation's first full scale, coal-fired ethanol plant. It should be at full capacity by 1983.

Ashland Results*
(In millions except per share data)

	Six months ended March 31, 1980	1979
Sales:	$4,030	$2.962
Net Income		
Operations/Investments	106.8	81.2
Nonrecurring Items	16.5	(3.3)
	$ 123.3	$ 77.9
Primary earnings per share:		
Operations/Investments	$ 3.51	$ 2.13
Nonrecurring items	.58	(.09)
	$ 4.09	$ 2.04
Average shares outstanding	28.4	35.2

*unaudited



Find out more.

Write for our new 6 Months Report, and a copy of our March 31 "Presentation to New York Security Analysts" to W.P. Hartl, Director, Financial Communications Dept., Ashland Oil, Inc., P.O Box 391, Ashland, Kentucky 41101.

Ashland

Markets will often reflect real cash commodity costs and provide spread traders with potentially profitable opportunities.

CARRYING-CHARGE SPREADS

By Stanley W. Angrist

MARKET LETTERS and many other commentaries on the commodities market frequently use the term "carrying charges." Thus my mail quite often contains questions about the term, what it means and how the charges are computed.

The term generally includes those costs that are incurred in warehousing the physical commodity, including interest, storage and insurance. A "full carrying-charge market" is a situation that exists in the futures market when the price difference between delivery months reflects the full cost of interest, storage and insurance. Obviously, when one spots a situation in the futures market that reflects full or nearly full carrying charges, one can buy the nearby contract, sell the distant one and risk very little. Such situations are sometimes called "limited-risk spreads."

Not all commodities are subject to carrying-charge analysis. Wheat, corn, oats, soybeans and cotton are, however, for two reasons. First, their production is an annual event, rather than a continuous daily, weekly or monthly process. Second, these commodities are nonperishable and retain market quality and user desirability for a rather long period of time while in storage. These characteristics do not exist in nonstorable commodities, such as hogs, cattle, feeder cattle, eggs and broilers.

Since the grains, soybeans and cotton are harvested over a relatively short period of time and must be stored for later use, there arises a risk of ownership through adverse price changes. Storage and insurance costs are known at any given time in the futures market. The storage costs are not negotiable between buyer and seller. The established storage rates do not fluctuate with the price level of a commodity or with interest rates.

All of the grains, plus soybeans at present, cost 4.80 cents per bushel per month to store and insure; cotton costs three-tenths of 1 cent ($0.003) per pound to store and insure.

While the storage costs of a commodity do not change, the interest costs can vary considerably, depending on two factors: the price level of the commodity and the interest rate. The table below lists the monthly carrying charges for several different interest rates and price levels for the grains and soybeans. As you will notice, the carrying charges per month for a grain selling for $4.50 per bushel can vary from 8.55 cents per bushel to 12.30 cents, depending on the interest rate.

Whenever the spread difference between the nearby and futures contracts approaches the monthly costs indicated in the table, then a speculative trade of limited risk is available. The reason for the limited risk is that a commodity-producing hedger probably will not deliver, but rather move forward his short hedge, thereby earning the carrying cha However, note well that as inte rates rise or fall so will carr charges. This lesson was bro home painfully to limited spreaders in the recent runup in terest rates.

Except in unusually bearish si tions, where supplies far exceed mand, full carrying charges will ra be reflected in the market. The sons for not achieving full carr charges are: 1) Elevator owners store and borrow money more ch ly than speculative traders; 2) the an advantage in owning the cash c modity by elevators with avail storage space; and 3) large specula can achieve a tax advantage via o ership of the cash commodity aga a future short-hedge position, poss by way of a capital gain.

As a result, both commercial in ests and large speculators are wil to put on carrying-charge spre and are willing to roll short-he positions forward before the spre attain a "no-risk" full carry charge level.

An example of a partial limited-spread exists in the soybean mar July is selling at about a 9-cents-bushel discount to August. Accord to the table, using an interest rat 16% and a price level of $6.50 bushel, full carrying charges are ab 13.5 cents per bushel for one mo Any tightness in soybean suppl threat of bad weather, or a furt collapse in interest rates would ca the near month (July) to gain on distant and thus turn profitabl spread of long July/short August be The risk on this spread is the di ence between the current spread le (9 cents) and full carrying cha (13.5 cents) or about 4.5 cents bushel ($225 per spread). The ma on this spread is $400, with a rou turn commission of around $85. ■

Stanley W. Angrist is a professor at Carnegie-Mellon University and the author of Sensible Speculating in Commodities.

Grain carrying charges

How much it costs to own, store and insure a bushel of grain or soybeans per month is shown in the table below. Changes in interest rates or price levels can produce major changes in carrying charges.

Interest rate	Price level[1] $2.50	$3.50	$4.50	$5.50	$6.50
10%	6.88 cents[2]	7.72 cents[2]	8.55 cents[2]	9.38 cents[2]	10.22 cents[2]
12	7.30	8.30	9.30	10.30	11.30
14	7.72	8.88	10.05	11.22	12.38
16	8.13	9.47	10.80	12.13	13.47
18	8.55	10.05	11.55	13.05	14.55
20	9.38	10.63	12.30	13.97	15.63

[1]Price of grain or soybeans per bushel.
[2]Carrying charges per bushel per 30-day month. Each of these numbers includes 4.80 cents per bushel for storage and insurance.

Forum for world leaders.

When China's Vice Premier Deng Xiaoping Teng visited Washington, the world's balance of power began to change.

Just before leaving China, Deng had spoken freely to one American publication about the purpose and significance of his visit.

As had Brezhnev a few weeks before, Deng spoke exclusively to TIME. Partly because in TIME his ideas would be spread among the leadership community in all the nations important to an emerging China; and partly because TIME has long been recognized as the foremost journal of news in the world.

It is the importance of TIME Magazine—known in any land or language—that gains it entrance to the hard-to-see...and earns it more readers in more countries than any other news magazine.

The most colorful coverage of the week.

© Time Inc. 1980 All Rights Reserved

The rational objective of investment is to own a share in a solid business whose profits will rise faster than inflation.

A DIFFICULT MARKET?

By John Train

In the investment counsel business these days, you quite often meet people who say, "Boy, this must be a tough market to operate in!"

One tends to nod vaguely. In fact, though, I would say it is by no means a difficult market. On the contrary, in many ways it is an unusually safe market for the investor, if you know what you want.

One should distinguish between investment and speculation. They are two entirely different functions, and as far as most readers are concerned, they would be much better advised to think entirely as investors and ignore speculation entirely. By investment I mean buying something—a house, a car, a stock—after you know a lot about it and because it will give you what you need. By speculation I mean not knowing much about what you are buying or whether it really suits you, and just betting that it is going to go up.

For most speculators, obviously, the last few years have been disappointing. The investor, on the contrary, has had a satisfactory time. Let me explain why.

I would say that the only rational objective of investment these days is to want to own a share in a safe, solid business whose profits, and thus dividends, will rise substantially faster than inflation.

Have investors in fact been able to buy such a satisfactory "indexed" stream of dividends at an attractive price the last year or two? I would say that they have. This is unlike the situation in, for instance, 1972, when everybody felt fine about the market and good stocks were overpriced. Let us consider two specific current examples:

Engelhard Minerals thrives on international confusion. Its most exciting activity is as the world's most skillful and largest broker of crude oil and commodities, notably minerals, via its Philipp Brothers division.

As Third World countries that were formerly held by European powers have become independent, and new governments take increasing control of oil and commodity exports, they are attracted by the idea of disposing of their oil and mineral production through channels that are relatively free of the colonial taint, notably the old concessionary companies. Philipp Brothers, which sounds modest and unpolitical, seems like an attractive alternative.

Then, the buying countries often can't pay cash these days. A huge and lively commodity trading company can arrange bilateral or even trilateral or quadrilateral barter deals. China wants oil, but has no freely traded currency. China does have tungsten. So the tungsten goes to South Africa for ferro-alloys, which are sold to West Germany for deutsche marks, with which China can pay for the oil.

Still another reason is that many countries maintain nominal embargoes of other countries, such as the Arab embargo of the U.S. during the last Arab-Israeli conflict, our imbroglio with Iran, everybody's embargoes of South Africa, and so on. In fact, however, commodities—like water—always reach their own level. It is impossible to prevent business from being done. It does, however, require a highly imaginative, skillful and discreet intermediary. Engelhard fills the bill.

Engelhard's management is the world's standard in its industry for skill, experience and breadth. It trades over 150 commodities, which gives one a feel for what is going on.

The company has immense fi cial strength, and its traders linked to every country it serves communications system of astor ing sophistication. Because of its ord of profitability, it has little c culty in obtaining whatever finan is required.

Altogether, a business I am deli ed to be a partner of. How much it cost me to buy in? Not 25 ti earnings, as in 1972; not 15, 1 even 8. Engelhard is now selling roughly 4 times 1980 earnings, pending on whose projections use. Although the yield, based on jected 1980 dividends, is barely the five-year compounded growth of dividends has been 24%.

Is the market that has brought admirable company down to such gain level a difficult market? Far f it. It's a very obliging market.

Another example of an attracti priced stock is *A.T. Cross.* After years in the pen business, what we here is the apotheosis of the lear curve. It has so perfected its manu turing techniques that labor costs only 12% of sales.

I must confess that I find it har understand how Cross has attaine superiority. Perhaps it is concen tion on doing just one thing supe tively well and keeping life sim Sixty percent of Cross pens are sol gifts, mostly business gifts. At and up for gold-filled models, they now the most elegant gift that can provide in their price range, w the additional advantage that the cipient may actually think of the nor several times a day as he uses instrument.

One of the most astonishing thi about Cross is its growth rate, wh has been well over 20% compoun over ten years.

Surely 8 times earnings per shar this wonderful enterprise is not exaggerated price to pay. With a d dend yield of 4%, rising at a five-y compounded growth rate of 30%, h is an "indexed" stream of income t you can spend with confidence.

So let's get back to the "diffic market" that we are supposed to in. If you don't buy a wonderful co pany at little over 4 times earnings you can today with Engelhard, *w* are you going to buy it? At 8 tin earnings? At 16 times earnings? At times earnings? From a real invest standpoint is 20 times earnings "good" market and 4 times earning "difficult" market? I can't agree. ■

John Train is president of Train, Smith, Investment Counsel, New York, and the author of The Money Masters *and* Dance of the Money Bees.

Standard Chartered
BANK LIMITED

Comments by the Chairman, The Rt. Hon. Lord Barber

The trading profits of the Bank and its subsidiaries for the year ended December 31 1979 were $332 million and the Bank's share of associated companies' profits amounted to $46 million, giving total profits before taxation and extraordinary items of $378 million. This compares with 1978 profits, on an annualised basis, of $326 million.

At the end of 1979 Group assets had increased by 38.9 per cent to stand at $29 billion, including $5.5 billion from Union Bank, California, which was acquired in April 1979.

The advance in profits was achieved in a year notable for only moderate growth in world output and trade and for an accumulation of unsettling events centred on the Middle East. The current prospect is one of reduced economic growth in the leading countries and of payment difficulties for the weaker developing economies. In spite of higher import demand from the oil-exporting countries, recession in the industrial world will mean slower expansion of trade. Nevertheless, the increasingly broad and diversified spread of Group activities, encompassing areas where growth has been strong in face of the general recessionary tendency, enables us to face the future with considerable confidence.

We enter the 1980s with a geographical spread of assets very different from that obtaining only a few years ago. The advantage to a major international bank of this more balanced worldwide distribution of assets is self-evident. With its wide country coverage and ability to offer a competitive and innovative range of supporting services the Group is in an excellent position to attract business from companies having an international spread of operations.

The slowdown in economic activity in the United States was less severe than predicted, but inflation accelerated markedly, forcing the authorities to tighten monetary policy; interest rates as a consequence rose to record levels.

Both Union Bank and our existing subsidiary in California, The Chartered Bank of London, achieved significantly higher profits, Union Bank making a contribution to Group post-tax profits after allowing for interest on the acquisition cost. Elsewhere in the United States the Bank's operations recorded very satisfactory results, particularly in New York.

From the beginning of 1980 Union Bank and The Chartered Bank of London have merged to operate under the single name of Union Bank. The merger has resulted in the formation of a major California bank structured to serve both the business and consumer public through its network of 60 offices in 13 counties and more than 5,000 staff. Integration of Union Bank into the wider operations of the Group is progressing well and is expected particularly to strengthen our marketing and representation in Latin America.

In Hong Kong, where real economic growth in 1979 exceeded 11 per cent, The Chartered Bank again achieved excellent results. The Shanghai branch continued its support of the international trade of the People's Republic of China where The Chartered Bank has been established for over 120 years. The Group's banking business in Japan and South Korea continued to develop satisfactorily and in Australia, where economic growth improved as compared with 1978, both the finance company subsidiary, Mutual Acceptance Limited, and the merchant bank, Standard Chartered Australia Limited, recorded higher profits.

We have resumed working contact with our branches in Rhodesia – now Zimbabwe – after a fourteen-year interval during which Standard Bank has maintained its position as the country's leading commercial bank. Once more integrated into the Group the Bank is well placed through its national coverage of more than fifty offices to consolidate and expand operations in independent Zimbabwe.

Copies of the Report and Accounts and of the Chairman's Statement may be obtained from:–

Standard Chartered Bank Limited, 160 Water Street, New York, N.Y. 10038
Union Bank, 445 South Figueroa Street, Los Angeles, California 90071

Figures converted as at Dec 31 1979 $2.23 = £1

Total Assets $29 billion
Total Deposits $27 billion
1,500 offices in 60 countries around the world.

Standard Chartered helps you throughout the world

Explore
our objectives.

Penn Square Mutual Fund has an impressive 23-year track record of finding realistic values among a diversity of leading undervalued stocks. The future's never guaranteed, but if you're interested in long-term capital growth, you should be interested in the details of our philosophy.

For more information, including management charges and expenses, write or call us for our free prospectus. Read it carefully before you invest or send money.

Call 800/523-8440
In PA, call collect 215/376-6771

Penn Square Mutual Fund
5th & Washington Sts. P.O. Box 1419 Reading PA 19603

Name _____
Address _____
City _____ State _____ Zip _____

23 years of investment experience
Over $140,000,000 in assets FM

23 ways to help assure your company's future.

Our country and your company depend on new ideas. College-trained minds produce new ideas. And colleges need your help. Write on your company letterhead to CFAE for 23 ways companies can aid colleges.
We can't afford to run out of ideas.

Council for Financial Aid to Education Inc
680 Fifth Avenue New York NY 10019 CFAE

A Public Service of This Magazine
& The Advertising Council Ad Council

5 FREE CIGARS

Cigar Smokers [illegible] Shipping We'll give [illegible] free [illegible] $4 [illegible] FLAMENCO MACANUDO MONTECRUZ PARTAGAS PRIMO DEL REY PUNCH RAMON ALLONES ROMEO Y JULIETA PERFECTO GARCIA TE AMO MANY MORE (Expires 6-30-80)

FAMOUS SMOKE SHOP (F580)
1450 BROADWAY NY, NY 10018

The market has been the victim of the inve tor's desire to be where the action is, an until recently, that has been in other place

THE IMPATIENT AMERICAN

By Ann C. Brown

IF YOU'RE FEELING frustrated, dejected and angry about what's going on or not going on in the country, you can't help it—it's in your genes. If most of our immigrant ancestors hadn't felt frustrated, dejected and angry about their native lands, most of us would not be here today to complain about the current scene. It took impatience with the existing order for our forefathers and foremothers to pull up stakes and set out to start a new life in a wild and wooded world thousands of miles away.

We are and have been an impatient nation, accustomed to "instant solutions" to most of our problems due to the fortunate combination of abundant natural resources and a highly motivated population. But "times, they are a-changin'." Natural resources are no longer limitless and the work ethic ain't what it used to be. The Declaration of Independence has gradually evolved into the Reality of Dependence, and an awful lot of us are finding this hard to swallow. For the last two decades America has moved from the idealism of adolescence to a genuine midlife crisis.

Periods of transition are always the most difficult times to live through. New approaches must be found to old and new problems. Some possible solutions to our economic woes are surfacing already. One example is the "10-5-3" proposal, which seeks to stimulate productivity through corporate investments by changing existing dodo-bird depreciation schedules. Fighting inflationary labor settlements through the use of company tax credits is another positive idea is the thought of lowering the m mum wage for teenagers to help th to get jobs.

Like it or not, the "go-go" years being replaced by the "slow-go" ye It will take a bit of getting used t like smaller cars and automatic b tellers. Nevertheless, I have co dence in the adaptability, creati and ingenuity of my countrymen. rules of the game may have chan but we have a wealth of good pla and that's what really counts.

Investor impatience is one of reasons why the stock market ha attracted much attention over the few years. Impatience seeks acti and, until recently, the action been largely centered in real est collectibles, gold and other comm ities. These alternatives fell upon h times as the Federal Reserve slamm the door on cheap credit and the b lending windows all but closed. thinness of markets for nonsecuri became all too apparent. While stock market may not be as liquid it was in the past, you still can disp of a quarter of a million dollars' wo of IBM in a matter of minutes, with minimal transaction costs.

The recent sharp decline in sh term interest rates has shaken a able amount of money out of pockets of sideline spectators. As money market funds begin to refl the effects of declining Treasury and note rates, more of these park funds could find themselves look for a new home.

As the economy cools down and political campaigns heat up, it see increasingly likely that Mr. Car will call for a tax cut before the Den cratic convention. Such a propo would go a long way toward sooth the liberal wing of the party, whi could well stir up an embarrassi amount of trouble for the President both the rules and platform comm tees. If a tax-cut bill is brought bef the Congress before adjournment t

Ann C. Brown is executive vice president of the New York investment firm of Melhado, Flynn & Associates.

mer, it would be very difficult to no during a recession/election r—even for Republicans.

there is a tax cut, the form the cut es is extremely important to inves-. If business gets a fair share of ef, it's good news, and long over-. If the consumer is heavily fa-ed, batten down the hatches for ther inflation storm. Ifs notwith-ding, I see no reason now to nge my preference for attractive nestic natural resource stocks and se of their related suppliers.

ver the past several months, I e recommended a number of natu-esource stocks. Now that most of first-quarter earnings are in, and re looking at a who-knows-how-g-or-how-deep recession, here are latest estimated earnings from a ple of knowledgeable—if optimis-analyst friends. *Engelhard Miner-& Chemicals* (29) $8.35 in 1980, $9 981; *Freeport Minerals* (33) $6 in 0, $8 in 1981; *Pennzoil* (36) $6.65 980, $8 in 1981; *St. Joe Minerals* $6.40 in 1980, $8 in 1981; *Texas ern Transmission* (61) $8.75 in 0, $10 in 1981 and *Transco* (40) 0 in 1980, $6 in 1981. Among the urce-related stocks *Baker Interna-al* (56) $4.10 in 1980, $5.25 in 1; *Hughes Tool* (61) $5.10 in 1980, 0 in 1981; *NL Industries* (40) $4.55 980, $5.45 in 1981; *Parker Drilling* $2.90 in 1980, $5 in 1981 and *b International* (65) $6.75 in 1980, 0 in 1981.

the latter list, I'm adding three ks that I think have excellent pos-ities for capital appreciation. *o, Inc.* (68) has the largest fleet of isubmersible drilling rigs in the ld, and today these rigs are rented at high, high prices. For the fiscal ending this month, the company d show earnings in the area of 5 per share with the possibility of ly $8 per share in fiscal 1981.

alliburton (98) is the worldwide er in well-cementing services. n everybody and his little brother ing everywhere, Halliburton ds to prosper. Around $8.25 per e for 1980 looks attainable, and year perhaps as much as $10.

nally, in the new recommenda-department is *Reading & Bates* The company not only is a factor narine drilling operations, it also uces gas, oil and coal. The stock split 3-for-2 in January and the nate for 1980 is $4.30 per share, rom $3.06 a year ago. With two rigs on stream this year, $5.35 is eliminary guesstimate for 1981. ■

VALUE LINE looks at possible "Take-Over" candidates

MAJOR STOCKS at 50% DISCOUNTS

. . . from their *tangible* book value per share

Every week, Value Line computers screen 1700 major stocks under regular review to pinpoint special categories which may be of unusual interest to investors.

For instance, a recent weekly edition of The Value Line Investment Survey shows 52 stocks which are currently priced below tangible book value per share AND below liquidating value, too (which makes them intriguing "take-over" candidates since their *net* working capital exceeds the current price of their shares).(Value Line 5/2/80).

Of these 52 stocks (which include some very well-known names),35 are selling at discounts of *50% or more* from their tangible book value. The discounts run as high as 86%.(Value Line 5/2/80).

Moreover, at their recent prices some of these stocks offer other credentials of possible interest—such as P/E's as low as 3.0, yields as high as10.7%, and the possibility of appreciating 200% or more in price in the next few years. (Value Line 5/2/80).

SPECIAL STOCK SELECTORS

The latest weekly computer screen of stocks which qualify for the above category will come to you automatically under the invitation below—along with several other Special Stock Selectors also updated weekly in the Value Line Survey, including:

HIGHEST YIELDS—The 100 stocks (among all 1700 under regular review) offering the highest yields, based on estimated dividends in the next 12 months. The yields recently ranged from 11.1% to 17.4% (Value Line 5/2/80).

HIGHEST APPRECIATION POTENTIAL—The 100 stocks offering the highest 3 to 5 Year Appreciation Potential, based on estimated earnings and P/E's in that future span. The potentials recently ranged from 310% to 820%. CAUTION: some of these stocks are very risky. (Value Line 5/2/80).

MOST TIMELY STOCKS—The 100 stocks currently ranked 1 (Highest) and the 300 ranked 2 (Above Average) by Value Line for Probable Price Performance in the Next 12 Months—*relative* to all 1700 stocks under regular review.

CONSERVATIVE STOCKS—The stocks rated 1 (Highest) and 2 (Above Average) for Quality (Safety)—*relative* to all 1700 stocks.

STOCKS AT DISCOUNTS FROM LIQUIDATING VALUE, and below Tangible Book Value—as outlined above.

BEST PERFORMING STOCKS—The 50 or so stocks that have gone up most (or down least) in price over the last 13 weeks. The best performances recently ranged from +10.9% to +63.4% (Value Line 5/2/80).

WORST PERFORMING STOCKS—The 50 or so stocks that have gone down most (or up least) in price over the last 13 weeks. The worst performances recently ranged from −40.0% to −62.5%. (Value Line 5/2/80).

YOU GET ALL THIS, TOO

In addition to these Special Stock Selectors, every week—for EACH of 1700 stocks—Value Line's weekly *Summary & Index* shows the *current* ratings/measurements for future Price Performance, Safety, Yield, Long-Term Appreciation, P/E Ratio, Beta. . . plus earnings and dividend data, past actual and future estimated.

Every week you also receive new full-page *Ratings & Reports* on about 130 stocks, updating and replacing previous reports on the same stocks. During a 13-week cycle, new reports like this are issued on all 1700 stocks. The Ratings & Reports include detailed price/volume charts and 22 series of vital statistics going back 15 years and estimated 3 to 5 years ahead.

SPECIAL INVITATION

You can receive the complete Value Line Investment Survey (with full 30-day money-back guarantee) for the next 10 weeks for only $33—about HALF the regular rate—if no one in your household has subscribed in the past two years. As a double bonus at no additional charge, you will receive the 2000-page Investors Reference Service (covering 1700 stocks) and the 96-page booklet, "Evaluating Common Stocks."

This subscription is tax-deductible if utilized to aid in the management of your investments.

To accept this invitation—mail the coupon today.

The Value Line Investment Survey

Arnold Bernhard & Co., Inc. • 711 Third Avenue, • New York, N.Y. 10017

816B09

☐ Begin my 10-week trial to The Value Line Survey (limited once to any household every two years) and send me the two bonuses listed above. Check for $33 is enclosed. (Trial subscriptions must be accompanied by payment.)

SPECIAL EXTRA BONUS A famous-make pocket-size CREDIT CARD/CALCULATOR SUPER SLIM LCD CALCULATOR (with full memory) given to you when you order The Value Line Investment Survey for one year—and send payment now.

☐ 1 year for $330. My payment is enclosed—send me the CALCULATOR as my extra special bonus. (There are no restrictions with this annual subscription.)

☐ Enter my subscription now. Bill me for $330. (Does not include the calculator.)

SIGNATURE

NAME (please print)

ADDRESS

CITY STATE ZIP

GUARANTEE: If dissatisfied for any reason, I may return material within 30 days for full refund of the fee I have paid. Subscription tax-deductible and nonassignable. Foreign rates on request (NY residents add sales tax.)

Where have all the high rollers gone? Into the money market funds. But not for long.

WAITING FOR THE NEXT GAME

By Srully Blotnick

ODD AS IT MAY sound, falling interest rates may cause speculators as much distress as rising ones did earlier in the year. The fall may spoil their latest game.

To see why, it is necessary to understand what the recent surge in interest rates meant to investors in my sample. In the last two years, under increasing pressure to keep pace with inflation, investors have looked to one group after another in the stock market or elsewhere to offset the erosion of their investment capital. As Walter H., a 53-year-old salesman in my sample, put it last summer: "I *have* to play the issues that stand a chance of giving me back each year what inflation is taking away."

In four successive waves, Walt and hundreds of thousands like him, played first the gold and gambling issues, then the oil stocks. In each case, the group boomed, only subsequently to bust, leaving investors no better off than they were before. In many instances they were worse off because they tended to get in toward the top.

When the oil stock rally fizzled decisively early in the year, investors were forced to look for yet another inflation-offsetting play. Everyone was surprised that the bond market at that point suddenly plunged. Many, sitting on large losses in oil stocks, gold and silver, pointed an angry finger at the Fed. What they didn't realize was that an abrupt shift in the Fed's approach was under way, and it's of great importance to understand why it occurred.

Volcker's early months as Fed chairman were largely devoted to dampening speculation. He and his advisers apparently felt that excessive speculation was delaying the otherwise inevitable recession that would cool inflation. People were buying on credit things they didn't need in fear that those things would cost them more when they did need them: cars, refrigerators, houses—you name it. Business was playing the game by buying other businesses with borrowed money. A pair of Texans were using borrowed money to corner the silver market. So on Oct. 23, 1979, Volcker sent a letter to all member banks of the Federal Reserve System urging them to "take care to avoid financing essentially speculative transactions in commodity, gold and foreign-exchange markets." Corporate takeover loans, condemned as "economically unproductive," were also to be avoided. The hope was to tame inflation through a dampening of speculation.

It would have been a neat and relatively painless way to solve the problem. But it didn't work. Bankers nodded wisely, then went on making those nice, profitable speculative loans. Gold hit $850 an ounce, silver $50, and oil stocks, especially small speculative ones, went crazy. Many of the bigger ones also went wild. However, once the oil-stock rally fizzled, the bond market was doomed.

All else having failed, in February the Fed switched its focus from the investors' money supply—their aggregated pool of investment capital—to the nation's money supply. Attention shifted from the credit available to speculators to the credit available to consumers. Volcker had no choice but to use interest rates aggressively to attack inflation.

There then occurred one of the towering ironies of recent financial history. The very same investors who had been chasing Moose Pasture Petroleum now decided that CDs and money market certificates were where the action was. The speculative money poured out of metals and oils and short-term money market ins ments. People who had been boas at cocktail parties about their So African gold stocks suddenly were ing anyone who would listen how were getting 17%—"short term risk free." It was a new kind of spec tion. The amount of money tied u six-month CDs swelled, by recent mates, to more than $380 billion.

As William L., a 49-year-old fo products company executive pu "Right now, there's nothing else looks as good. Seventeen percent annum. Now there's a number I live with." Of crucial importanc the fact that Bill and the vast maj in my sample who were putting m ey into short-term paper at the t were expecting interest rates to crease, not decrease.

Much to their shock and disn the fourth wave ended the very s way the other three speculative w had. Rates dropped precipitously, the returns investors wanted needed to find were once again out of reach.

What it boils down to is this: Fed initially tried addressing itsel the problem of inflation and spec tion by attacking speculation. speculation is a symptom, not a ca At long last, the attack recently focused instead on inflation— and simple. But, and a very big "b it is, the about-face has been abrupt, causing rates to fall too fas necessity, some might argue, in o to stave off the possibility of an nomic collapse. The decline in in est rates, however, poses new dan to the economy. What are they? that a sizable portion of that $ billion is on the verge of pouring of CDs and money market funds restless and dissatisfied investors gin searching for a new high-ret game. The biggest speculative bi in the series may be a matter months away, and it would com the Fed to do yet another about-fa

Interest rates then may have to raised somewhat to prevent a floo money out of the short-term mar There are a lot of nervous dollar short-term instruments, which there not for safety but for inflati beating yields; when the yields longer exceed the inflation r watch out.

The current euphoria is based the assumption that the market bottomed, rates are headed down hence interest-rate-sensitive sto are the place to be. Don't bet on it

Dr. Srully Blotnick is a practicing psychologist and author of Winning: The Psychology of Successful Investing.

FIRST CLASS TO LATIN AMERICA

00 is the price of a black and white e in Newsweek International's Latin erican edition...that is less than a first s airline ticket from New York, Paris, don, or even Tokyo.

ut its impact is absolutely first class. very week, over 40,000 copies are ght by businessmen and execu- es—men who are leading Latin erica into a new decade of growth prosperity.

he market is big—and growing every . And so is that unique group of men o are reading Newsweek Interna- al. As their professional status in- ases, their personal lifestyles grow. y're men who can afford the best—for their businesses and themselves.

Most important, Newsweek International touches these men in a way most international media have never done: by providing them with a truly *international* view of events...the body of news, politics and business, reported with personal pertinence to their specialized needs.

No wonder so many different kinds of marketers have already begun using Newsweek International to sell in Latin America: low cost per page; high impact among readers; a pertinent and prestigious editorial environment.

If you sell in Latin America, join us in first class.

Go Newsweek International.

Only Newsweek

Newsweek

THE INTERNATIONAL NEWSMAGAZINE

ES OFFICES: New York • Chicago • Los Angeles • San Francisco • London • Amsterdam • Frankfurt/Main • Geneva • Paris • Rome • Hong Kong • Manila • Sydney • Tokyo

EXPLORATION
Brock
CORPORATION

PROFESSIONAL
PETROLEUM
EXPLORATION

NEW ORLEANS, LA
MAIN OFFICE
231 CARONDELET ST./5TH FLOOR
NEW ORLEANS, LOUISIANA 70130

OKLAHOMA CITY, OK

John French doesn't lack imagination. I chases shale in Australia, carrots in Chi and gemstones in Southeast Asia.

SAPPHIRES, ANYONE?

By Thomas P. Murphy

WHEN John French, 49, told me the story that I recounted in FORBES' Mar. 19, 1979 issue, I wondered if it were really there and if it were really that big. The whole thing sounded so outlandish—an Australian oil shale claim, potentially billions of barrels of oil, but billions of dollars needed to exploit it. The answer is, yes, it is there, and it really is that big. In February Exxon committed itself to build a large pilot plant, which is expected to be scaled up to produce 200,000 barrels of oil a day. Something like $3 billion is involved and the figure could go as high as $10 billion. For its investment, Exxon will receive under half of the oil that is produced. An estimated 2 billion barrels are tucked away in Rundle, an area near the coast in Queensland, Australia, which Exxon will develop.

As for the stock, it has done very well. Allowing for a split, Southern Pacific Petroleum ADRs were selling at $5.20 a share in March 1979. It was $40 recently.

After reading about the Exxon deal, I talked again with John French, who heads the New York-based venture capital firm, Research & Science Investors. He told me that he and his company still hold all of their original shares in Southern Pacific Petroleum. In explanation he handed me a report from an Australian security analyst that said the total reserves of the whole claim are now thought to be 11 billion barrels, and Exxon is taking 2 billion. At current price levels the market is still only valuing a barrel of that oil at 3 cents.

John French is not the sort to spend his time waiting for prices to go u I asked him what else he was d Well, there is the China comp called World Trading & Shipping, (a Panamanian corporation). French sees it, nearly everyone flopped in trying to make deals the mainland Chinese because have gone about it the wrong Says French: "It is as though s foreigners showed up in Washin with a huge proposal that requ approval of the Department of Ene the EPA, the Ex-Im Bank and the estate zoning board of, say, Santa bara. It would take years for all t bureaucracies to agree on anyth You've got to remember that Pe is also a big bureaucracy."

French's approach is different. understand the culture. Our ma China is American educated, bu was born on the mainland, and understands the country. A Chi contract, for instance, will say: plan to work together in harmony friendship on such and such a proj Imagine bringing that kind of tract back here to a board of direct

"We also deal only on a local le not with Peking, so that limits u to the size of projects that can approved. Most important," Fre adds, "all of our projects pay for th selves. They will not cost the Chi one penny in foreign exchange."

An example: "One that we are gotiating now would build a ca processing plant for about $4 milli The financing would come from a East bank, the plant would be fabri ed in Europe and erected by the C nese. The bank and other invest would be repaid through the expor carotene, a pulp rich in vitamin World Trading & Shipping," Fre explains, "is the marriage broker t brings the whole thing together."

Then there is Consol Gemstor Ltd., another new company Frenc involved with. It is incorporated the Cayman Islands, and French lieves it is a first: a mutual fund to

Thomas P. Murphy heads a venture capital firm, Partnership Dankist, Stamford, Conn

red gemstones, especially rubies, hires and emeralds. French's mo- for investing in Consol stems the rapid increase in prices of e stones, and also from a rather imistic view he has of the future. 're coming around," he says, "to a pean way of thinking. We are vul- ble, and one has to look at possi- ies as if he were a Frenchman in . War is possible and so is eco- ic chaos."

hy gemstones? "Historically, they not gone down in value," French "If you look at the world of collec- s, you find there is something g with just about all of them. You a fine antique clock, for example, find that the best market for it is lon. You ship it there, and it arrives en. Gold, for all its value, is too y to carry around. Furthermore, it litical. As for diamonds, the mar- s controlled by the Syndicate, and annot buy them at the mine. They been marked up several times e you can buy them."

d gemstones? "We go to where are produced, to Sri Lanka, India Pakistan, and we buy from local ers." A profitable deal for Consol. ch explains, "A stone that would or, say, $1,000 at the mine can be hased for $1,300, and that is what ay. The same stone cut, polished out in Tiffany's window, sells for 00."

nsol is a mutual fund? "Yes, the es are reappraised every quarter. investor who wants out receives nvestment in stones or—at the etion of the board—in cash."

hat is in this for Consol? "There management fee of 3% on the $10 million, and it goes down there. That pays expenses. Our r profit comes from appreciation arket value of the stones, and we 5% of that. At the time an inves- shes in, he will receive the value s investment back, plus 85% of ppreciation. The remaining 15% nsol's profit."

here can you buy Consol? Well, if you have the $100,000 mini- investment fee, you still have a em. Says French: "The fund is a gn corporation, and it is not reg- ed with the SEC, so Americans buy shares. There is more than gh interest in Consol in Europe he Middle East—particularly the le East. If you live in Riyadh and is trouble, it might be nice to y you have a bag of gemstones ng for you when you turn up in on or New York." ■

100% TAX-FREE BONDS ARE BACK. SO IS QUALITY.

IT'S HIGH TIME.

HIGH TAX-FREE YIELD TIME.
Investors who are looking for tax-free* income and believe short-term rates have peaked should consider Fidelity Municipal Bond Fund.

HIGH TAX-FREE INCOME FROM A QUALITY PORTFOLIO OF LONG-TERM BONDS.
Fidelity Municipal Bond Fund seeks high tax-free income from a portfolio consisting primarily of A or better quality bonds.

What's more, investors also enjoy the following advantages:

- ☐ No Sales Charge.
- ☐ Daily Tax-Free Income.
- ☐ Convenient Liquidity.
- ☐ Automatic Reinvestment.
- ☐ Full-Time Professional Management.
- ☐ $2,500 Minimum Investment.

FIDELITY
MUNICIPAL BOND FUND
35

P.O. Box 832, Dept. JB 060980
82 Devonshire St., Boston, Mass. 02103

For more complete information, including management fees and expenses, please write or call for a prospectus. Read it carefully before you invest or send money.

Name
Address
City State Zip

Fidelity Group Over $6 billion of assets under management

*A portion may be subject to state or local taxes.

MIRACLES FOR SALE.

Would you give 2¢ to help save this child from going blind?

2¢ worth of vitamin A could save her from a blindness that millions of children in poor countries already face.

2¢ can save her sight. Nothing can buy it back.

So please give what you can to Helen Keller International.

Even if it's only 2¢

And you thought there was no such thing as miracles.

Helen Keller Centennial Fund
Box 777, New York, N.Y. 10011

TEACHING KIDS BUSINESS IS OUR BUSINESS.

Junior Achievement offers business people a rare opportunity. A chance to share their knowledge with the next generation of business people.

In our JA evening program you'll meet once a week with high school students to help them set up and run their own companies. Or, in our daytime program, Project Business, you'll go into classrooms once a week to teach 8th or 9th graders about the business world.

To find out more about Junior Achievement contact our local office listed in your white pages or write Junior Achievement Inc.,
National Headquarters,
550 Summer St.,
Stamford, Conn. 06901.

Like over 30,000 other men and women you'll discover a special sense of achievement when you join Junior Achievement.

A little pride will go a long, long way.

JA

JA – A DIVISION OF JUNIOR ACHIEVEMENT INC

A new credit market crisis may be just c frightening as the one just averted.

THE FINANCIAL CRISIS IS FAR FROM OVER

By Ashby Bladen

In the Mar. 17 issue of Forbes, I suggested that the bond market was collapsing because it perceived the need for major spending on rearmament, while consumers were still off on a borrowing and spending spree of epic proportions. This combination could have touched off a squeeze on the money markets of historic dimensions. This does not now seem to be happening. Why not? Essentially, because the President does not seem to feel that we need to rearm. It also now appears that the Fed's crisis package of Mar. 14 brought the consumer borrowing and spending spree to a screeching halt. The statistics are not yet available as I write this, but I suspect that the economy fell off a precipice in April, and that a severe recession is now under way.

The general consensus that a recession of *some* sort has started touched off a rally in the bond market that was nearly as spectacular as the collapse that preceded it. It seems clear that the credit crunch of 1980 is now history, but a new crisis is looming in the credit markets that may be just as frightening as the one that has been averted.

The crucial factor this time is *not* the cyclical trend of interest rates but rather it is the fact that after the enormous expansion of debts—particularly short-term debts—that has occurred during the last five years, a recession is bound to cause the creditworthiness of a great many individuals, businesses and municipal governments to become doubtful. The only way that savers' growing mand in recent years to hold th savings in the most liquid form pos ble could be accommodated was businesses and financial institutic to accept steadily more liquid liabi ties; and as the recession worsens a confidence declines, many of the are going to find it increasingly dif cult to refinance those short-term l bilities as they mature.

What led us to this pretty pass is t basic principle that once people cat on to inflation and expect it to conti ue, they become steadily more an ious to borrow and buy now, and pay in tomorrow's cheaper dolla Once the spree starts, the only effe tive thing that the central bank can to slow the inflation is to fright everybody into believing that it w no longer make available all the cre that the market demands. But if really follows through on this thre and cuts back on the availability credit, then marginal borrowers wl need to refund maturing debts bankrupt. If enough people, busines es and nonsovereign governments bankrupt, we will have a financial cr sis and a depression.

This is a pretty dilemma indee When you've been messing things u for 20 years, you can't expect to find quick and easy way out in which r one will be hurt. The only way pri stability can be restored is throug reachieving a sense of prudence respect to borrowing and lending.

How do you restore the salutary b lief that borrowing and lending a risky businesses without proving th point by precipitating a financial pa ic and a depression? In 1966 and agai in 1974, the Fed relented much to soon to scare the market into lastin prudence. In 1970 it came dangerousl close to overkill—without, howeve succeeding in permanently restorin the requisite degree of prudence.

So the question now is: Can w bail everybody out? Recent develop ments in the Chrysler and othe

Ashby Bladen is senior vice president-investments for the Guardian Life Insurance Co. of America, and author of How to Cope with the Developing Financial Crisis.

s suggest that this time around financial authorities are more ressed with the need to avert a c than with the need for pru-:e. Every person, business and ıtution that is large enough to e a significant problem seems to etting bailed out no matter how rudent the behavior that got him t into trouble. A rather small ngs and loan association and a large commercial bank both got trouble by wildly imprudent ulation on the trend of the bond ket. In the case of the savings loan, the Federal Savings & ı Insurance Corp. not only bailed the depositors, which it is sup-d to do, but also bailed out the ers with whom the S&L had mitments to buy Ginnie Mae ificates at prices far above the g market.

ow, if speculation and financing :ulation become a one-way street re if you win you win, but if you the government bails you out at taxpayers' expense, then prudence depart from our financial markets gether and we can look forward to inous inflation.

'hat I am saying is that the fear of kruptcy is one of the strongest po-ial safeguards against inflation; let politicians remove the fear and make imprudence and specula-virtually riskless. But why should expect things to work differently ın politicians try to legislate the ıomy? There's been a long history his sort of thing and while the umstances differ, the results are ost always undesirable.

n historical example of the kind of tical miscalculation I have in d occurred during the campaign of 2. John Nance Garner, then the aker of the House and Democratic : presidential candidate, thought aw a political advantage in forcing Reconstruction Finance Corp. to lish the list of banks it had made ıs to. The banks were horrified. : list would be considered an offi-government roster of bad banks. en Garner's idea became law at beginning of 1933, troubled banks sed to borrow from the RFC, the k holidays that had already started the West promptly spread to the t, and on Mar. 6, President Roose-: closed all the banks.

'he more things change, the more y remain the same. The ability of ticians to deal sensibly with eco-nic crises has not improved much ce John Nance Garner's time. ■

HOW IT FEELS TO HAVE A HEART ATTACK

The way a heart attack feels can vary. So how can you be sure that what you're feeling is really a heart attack?

By remembering this.

If you feel an uncomfortable pressure, fullness, squeezing or pain in the center of your chest (that may spread to the shoulders, neck or arms) and if it lasts for two minutes or more, you could be having a heart attack. Severe pain, dizziness, fainting, sweating, nausea or shortness of breath may also occur. Sharp, stabbing twinges of pain are usually *not* signals of a heart attack.

Your survival may depend on getting medical attention as quickly as you can. Call the emergency medical service immediately. If you can get to a hospital faster in any other way, do so.

Don't refuse to accept the possibility that you are having a heart attack. Many heart attack victims do just that. They say it's indigestion or tension. They worry about embarrassment. They often wait three hours or longer before getting help.

But before those three hours are up, one out of two is dead.

Remember what you've just read. The time might come when your life will depend on it.

The American Heart Association

WE'RE FIGHTING FOR YOUR LIFE

BUSINESS OPPORTUNITIES

FREE MONEY REPORT

5,000 unique money sources for new or existing businesses at very competitive rates. Lucrative, prestigious business opportunities also available. Work your own hours. No experience necessary. Proven success formula. National company will assist every way possible. Write: **DFC**, Dept. 43-B-6, 1145 Reservoir Avenue, Cranston, Rhode Island 02920.

Petrogram Services offers a new Concept in filing for oil & gas leases. $8 per filing period brings you instructions, materials & geological recommendations. For free brochure contact: **Petrogram Services, 2300 Candelaria, Albuquerque, NM 87107; (800) 528-6050.**

INCORPORATE in Tax Free Nevada! (Beats the pants off Delaware)

Nevada offers the best tax advantages of all 50 States! You owe it to yourself, business, & your family to send for these FREE exciting facts . . .

Corporate Agents of Nevada, Inc.
1009 N. Curry St. (Suite 7-F)
Carson City, Nev. 89701 (702) 883-2174

FREE REPORT WHAT IS THE BEST FRANCHISE!

The first and only analysis and rating of every viable franchise in the U.S. and Canada has just been completed by the nation's top business magazine. Complete details on this report FREE. Write **A.E.A.**
2311 Pontius Ave., Suite B819
Los Angeles, CA 90064

BUSINESS CONNECTIONS

ARAB BUSINESSMEN HAVE MONEY TO BUY & INVEST

Top Finders Fees Paid
Finders Inquiry Invited
Write Box A194 Forbes
60 Fifth Avenue
New York, NY 10011

EXECUTIVE SERVICES

NECKTIE NARROWING

NECKTIES RECUT & RESHAPED to the new narrower width—
$4.50 per tie 4 tie minimum
Send for free tie mailer or mail direct. **Satisfaction guaranteed**
ROBLIN TIEMASTER
190E Glen Cove Avenue
Glen Cove, NY 11542

FORBES BINDERS

SLIP CASES OR BINDERS
for a year of **Forbes** magazine.
In red and gold leatherette.
Slipcases: $4.95; three for $14
Binders: $6.50; three for $18.75
Send check with your name and address to:
Jesse Jones Box Corp.
Dept. FB, P.O. Box 5120
Philadelphia, PA 19141

Forbes: Capitalist Tool®

HOW TO ADVERTISE IN FORBES CLASSIFIED

REGULAR CLASSIFIED LISTINGS: All listings are accepted at the discretion of the Publisher. Line rate is $22.30. Minimum size ad is one inch (14 agate lines) costing $312.20. FORBES will typeset without charge.

DISPLAY CLASSIFIED ADVERTISING: Line rate is $21.90. Minimum size for display of two inches (28 agate lines) costing $613.20. Must be submitted as film negative or camera-ready mechanical to size. For specific requirements send for order form.

Box numbers provided on request. There is no charge for mailing service on blind ads.

FORBES CLASSIFIED is published in the first issue of each month. Advertising closing date is one month preceding date of issue.

Frequency discounts available. Payment must accompany order unless from accredited agency.

FOR ADDITIONAL INFORMATION WRITE OR CALL:

SARAH MADISON
FORBES CLASSIFIED
60 FIFTH AVENUE/NEW YORK, NY 10011
(212) 620-2371

What nationality is Suzy Lee?

TAKE A GUESS!

Her hair is black like her Asian mother, but her eyes are round and her nose is freckled . . . two sure signs that her father was an American.

She was left in Korea by her American serviceman father . . . left to a culture that believes the child is the nationality of its father. So Suzy belongs to *no country!*

She's condemned to the streets because she wears the wrong face!

Pearl S. Buck called these "outcast" little ones the New Children and established The Pearl S. Buck Foundation to help them.

For just $21.00 a month, children like Suzy Lee are given food, clothing, education . . . hope for a future where they will belong!

Won't you help?

Suzy really belongs to us . . . for in the eyes of the world, half Americans *ARE* Americans!

P.S. If you can't support a child of your own, will you send

☐ $5 ☐ $10 ☐ $20

and help keep a child alive for a day, a week, a month, while we seek out a permanent sponsor?

The Pearl S. Buck Foundation, Inc.
Dept. 903, Green Hills Farm, Perkasie, Pennsylvania 18944

EXECUTIVE GIFTS

RIZED TRS-80® DEALER A301
COMPUTER SPECIALISTS

Up to 15% Discount on TRS-80's

61 4K LEVEL I $424.00
66 16K LEVEL II.....$715.00

00-841-0860 TOLL FREE

MANAGEMENT SYSTEMS, INC.
ntown Plaza Shopping Center
15 C. Second Ave., S.W.
Cairo, Georgia 31728
2) 377-7120 Ga. Phone No.

RS-80 COMPUTERS

ndio Shack® Authorized Sales
owned & operated by Pan Amer-
ctronics, Inc., we can sell them
No taxes collected on out-of-
pments. *We pay* shipping & in-

OLL FREE 800/531-7466
as & Main No. 512/581-2765
Conway, Mission, Texas 78572

APITAL TO INVEST

ATIVE FINANCING

l guarantees
ble letters of credit
open escrows
s-Takeout-Permanent loans
ate or venture capital
ROKERS PROTECTED
END PACKAGES TO:
BANCOR LTD.
San Nicolas Dr. Suite 206
ewport Beach, CA 92660
714/640-1633

CAPITAL WANTED

D TUNA FISH—Est profit-
porter requires financing for
nnery to process 2000 cases
with profit $8.00 case. I offer
company for partner to fi-
achinery about $250,000 pur.
plus credit to buy raw tuna.
berg, International Affill Co.
4 W 32nd St NYC 10001
Tel. (212) 736-2680

EL/HOTELS/RESORTS

DRIVEN BIRD AND
/ALK-UP SHOOTING
Kingdom, Hungary, Spain.
e/Partridges/Pheasants
ugust-December 1980
n/Sea Trout
ne-September 1980

ugust-October
Homes or
Accommodations
Major Neil Ramsay, Farleyer,
feldy, Scotland PH15 2JE
—Grousalder Telex 76371

TRAVEL

JAMMER CRUISES

Sun, Fun, New Friends
Good food, Quaint Harbors,
Romantic Islands
in S. New England
$407/wk - $204/weekends
Write Bill of Rights
Box 477, Newport, R.I. 02860
TEL 401-724-7612

onor
Rights

REAL ESTATE

Treehouse

Assemble This Unique Home
In A Few Weeks
For Price & Construction
Package Information Send $4.00 To:

Topsider Homes

P.O. Box 849 F
Yadkinville, N.C. 27055
919-679-6846

WANTED

A scenic ranch or timberland. Over 5,000 acres up to $500 per acre. Sunbelt area with natural amenities.

Box A193 Forbes
60 Fifth Avenue
New York, NY 10011

FREE CATALOG

Big . . . Free SUMMER 1980 Catalog describes and pictures more than 2,700 farms, ranches, acreages, recreational properties, businesses, town and country homes in 43 states coast to coast! Please specify type and location preferred.

UNITED FARM AGENCY
612-Y W. 47th Street
Kansas City, MO. 64112

NEBRASKA FARM

One of the finest farms in the entire midwest, 2400 acres + — of excellent center pivot irrigated corn grounds. Buyer can realize approx 6.5% return on total investment, Cash on Cash. + — Let's visit about the tax benefits. Documentary proof on all yields available for the past several years. Absolutely a gem.

Call **VOGEL REAL ESTATE INC**
P.O. Box 24, O'Neill, Nebraska 68763
(402) 336-1336

REAL ESTATE SERVICES

NEED FOREIGN BUYERS FOR U.S. FARM AND INCOME PROPERTIES?

Our new directory, "The Foreign Buyers of U.S. Property©," lists thousands of foreign buyers who have invested billions in U.S. real estate property. **Now the aggressive realtor has a way to sell them more property!**

INVESTOR PROFILES
U.S. & Foreign Investor Research
Toll Free: 1-800-221-5578
in New York: 1-212-532-5629

BUSINESS SERVICES

KING OF 800's

A NATIONAL TOLL FREE ANSWERING SERVICE
100 calls per mo for $25 per mo
Call toll free for information
The store that never closes
1-800-327-9009
"TOLL FREE AMERICA INC"

REAL ESTATE

METRO ATLANTA

Investment
Commercial
Industrial
Residential
Recreational

LAND FOR SALE

Will develop, joint venture or manage projects.

Contact Paul T. Zantzinger

Hooker/Barnes

Land Division
2175 Parklake Drive NE
Suite 250
Atlanta Georgia 30345
404 939-4430

HILTON HEAD ISLAND, S.C. OCEAN FRONT VILLA

$6400 DOWN
$63,900 FULL PRICE
Fully furnished
OCEAN FRONT VILLA
on Hilton Head Island.
90% Financing.

CALL COLLECT
(FW 14) **803-785-8666**

FLORIDA LAND

In Horse country (near Ocala): 600 acres, irrigated soy beans, corn, vegetable farmland with 1¼ miles paved frontage. Will divide.

On St. Johns River: 30,000 acres undeveloped land, 18 miles east of Orlando, between State Roads 46 & 50. Contact owner:

NORRIS COMPANY
P.O. Box 1088, Ocala, Fla. 32670
(904) 622-7151

MISCELLANEOUS FOR SALE

GENUINE GEMSTONES AND JEWELRY

Free wholesale catalog.
Satisfaction guaranteed!
Member Jewelers Board of Trade.
Chamber of Commerce
HOUSE OF ONYX
No. 1 MAIN ST.
GREENVILLE, KENTUCKY 42345
TOLL FREE SERVICE 1-800-626-8352

COURSES/SEMINARS TRAINING PROGRAMS

LAW STUDY THROUGH CORRESPONDENCE —
Qualify to become an attorney in some jurisdictions.
For free information
phone toll free 1-800-423-4530
Cal. res. phone 213-795-5558
or write: **Southland University,**
69 North Catalina,
Dept. H3, Pasadena, CA 91106.

REAL ESTATE

LUXURY RESIDENTIAL, ESTATE AND FARM PROPERTIES

PARIS, KENTUCKY — A magnificent 916-acre horse breeding facility in the heart of Bluegrass country; offered for sale in 3 separate parcels. 12 miles east of Paris-Lexington Pike.
$5,954,845. Brochure #FB 23-01.

BEDFORD, NEW YORK — Splendid 14-acre estate with beautifully maintained grounds including pool, tennis court and helicopter pad. 15-room main residence and outbuildings. One hour to Manhattan. Price upon request.
Brochure #FB 1-74.

CHARLES COUNTY, MARYLAND —With 2,000 ft. frontage on the Potomac, this 265-acre estate is an exemplar of the country life. 11-room Georgian main residence, poolhouse and barn. 30 min. to Washington, D.C.
$1,500,000. Brochure #FB 17-06.

BEDFORD, NEW YORK — Private 12-acre estate in lush country setting featuring a 19-room main residence, pool, greenhouse, studio and barn. 50 min. from Manhattan.
$800,000. Brochure #FB 1-66.

HILLSBORO BEACH, FLORIDA — In an exclusive residential neighborhood, this 2½-acre estate enjoys a private beach and lovely views to the Atlantic. 7-room stucco residence with pool. 45 min. from Palm Beach.
$750,000. Brochure #FB 3-43.

SUNSET, LOUISIANA — On National Register of Historic Places, a splendid 20-acre plantation evoking graciousness from another age. Carefully restored with original features. 15 min. to Lafayette.
$950,000. Brochure #FB 14-04.

BROOKLANDVILLE, MARYLAND — Handsome 54-acre estate with fine equestrian facilities and views of Greenspring Valley. 2-story stone main residence and poolhouse. 15 min. from Baltimore.
$2,000,000. Brochure #FB 17-07

Please contact us for brochures and further information on these and similar outstanding properties.

Sotheby Parke Bernet International Realty
980 Madison Ave., New York 10021
tel. 212/472-3465

TAHITI

Twin Tahitian houses, a seafront home, a hilltop home, 35 miles from Papeete, on Tahiti, Iti . . . Paradise setting, 7½ + acres, formerly Zane Grey's fishing camp, available for immediate occupancy. Offered at $350,000 U.S., fully equipped.

Box A192 Forbes
60 Fifth Avenue
New York, NY 10011

WINES

Telewine Inc.
"Wines by Wire"
(212)685-2100

For further
information contact:
Duncan McMillan
Director,
Special Projects
FORBES Magazine
60 Fifth Avenue
New York, NY 10011
(212) 620-2224
or your local Forbes
representative

Forbes

announces a
special advertising
supplement on

ENERGY

**STRATEGIES FOR BUSINESS—
NOW AND IN THE NEXT DECADE**

Written by Planning Research Corporation
under the direction of
Robert Sarnoff, Chairman of the Board

September 29, 1980 issue

Closing date: August 4, 1980

ANOTHER CAPITALIST TOOL®

npanies covered in news stories and by the columnists in this issue.

& Chemicals 20
..... 108
..... 33
..... 154
Danone (France) 76
rica 35
lit & Commerce Intl
urg) 35
st 89
..... 79
ds 79
..... 67
..... 42, 154
..... 76
..... 108
..... 64
Iorthern 39
..... 25
..... 76
..... 44
nds Intl Credit & Investment 35
y Inds 10
Iorth Western Transportation 42
..... 68
nolive 154
ère de Paris et des Pays-Bas 80
stones, Ltd 164
..... 158
rbach 154
agine 43
..... 10
son 49
cal 53
..... 37
ines 43
Engelhard Minerals & Chemicals 158
Exxon 33, 164
Financial General Bankshares 35
First Chicago 54
First Pennsylvania 54
Fluor 37
Ford Motor 49
General Electric 42
GM 41, 44
Georgia-Pacific 154
Gifford-Hills & Co 106
Gintel & Co 96
Gulf & Western 43
Harris Bankcorp 54
Heineken (Netherlands) 80
Homestake Mining 34
Honeywell 56
Hughes Tool 37
IFINT (Italy) 10
IBM 108
International Paper 154
Kaysam 61
Eli Lilly & Co 111
Lockheed 42
Loews 26
Louisiana-Pacific 154
McDonald's 69
Magma Power 53
Mark Controls 54
Marsh & McLennan 108
Mellon Bank 89
Missouri Pacific 39
Modern Merchandising 67
J.P. Morgan & Co 89
National Utility Service 10
Natomas 53
New Court Securities 56
Northern Pacific 26
Pacific Gas & Electric 53
Pan Am 43
Pernod Ricard (France) 108
Pilkington Bros (U.K.) 80
T. Rowe Price Assocs 89
Research & Science Investors 164
Rolls-Royce (U.K.) 42
Santa Fe Inds 39, 42
Santa Fe Intl 106
Fayez Sarofim & Co 89
Jos. Schlitz Brewing 79
Schlumberger Ltd 37, 76
Scudder Stevens & Clark 89
Service Merchandise 67
Signal Cos 108
Southern Pacific 39, 42, 164
Southern Railway 42
Squibb 110
Standard Oil (Calif.) 40
Storage Technology 108
TRW 10
Tandy 68
Teledyne 154
TeleSciences 20
Tenneco 44
Tosco 33
Union Oil 53
Union Pacific 39,42
United Technologies 42
Weyerhaeuser 154
H.J. Wilson 67
World Trading & Shipping (Panama) 164

Do you know anybody who is somebody in business who does not read Forbes Magazine?

Forbes: Capitalist Tool®

Thoughts
on the Business of Life

Men love their children, not because they are promising plants, but because they are theirs.
GEORGE SAVILE

Character is the sum total of a person's thoughts and actions. Words are mostly exhibits of parts of character.
FOSTER B. MCGAW

Discourses on humility are a source of pride to the vain, and of humility in the humble.
BLAISE PASCAL

Self-love is more cunning than the most clever man in the world.
LA ROCHEFOUCAULD

I think somehow, we learn who we really are and then live with that decision.
ELEANOR ROOSEVELT

It is sometimes wise to forget who we are.
PUBLILIUS SYRUS

No man knows of what stuff he is made until prosperity and ease try him.
A.P. GOUTHEY

Integrity is a good word and those who guide their lives by it will die happy, even though poor.
WILLIAM FEATHER

A man is always as good as the good which appears in his face, but he need not be as evil as the evil which appears in it, because evil does not always realize itself immediately; indeed, sometimes it never realizes itself at all.
MAX PICARD

That which we are, we are, and if we are ever to be any better, now is the time to begin.
TENNYSON

Unless one builds on a foundation of self-respect, one's life structure, no matter how glittering and imposing on the outside, is corroded and honey-combed within, liable to collapse ignominiously at any moment
B.C. FORBES

Perhaps the only true dignity of man is his capacity to despise himself.
GEORGE SANTAYANA

He will have no judge but himself condemns himself.
H.G. BOHN

Every man has three characters—that which he exhibits, that which he has, and that which he thinks he has.
ALPHONSE KARR

All lies are not told—some are lived.
ARNOLD GLASOW

Human society is ordered, productive and in accord with human dignity only if it is based on truth.
POPE JOHN XXIII

The noblest works and foundations have proceeded from childless men.
FRANCIS BACON

More than 3,000 "Thoughts," indexed by author and subject, are available in a 574-page book at $11.95. Send check and order to: Forbes Inc., 60 Fifth Ave., New York, N.Y. 10011. Add appropriate sales tax on New York State orders.

Likely as not, the child you can do the least with will do the most to make you prou
MIGNON MCLAUGHLIN

Life is tons of discipline.
ROBERT FROST

That which we call sin in others is experiment for us.
RALPH WALDO EMERSON

There is no evil that does not offer inducements. Vices temp by the rewards which they offe
SENECA

I hope you have not been lead a double life, pretending to be wicked, and being really good the time. That would be hypoc
OSCAR WILDE

A Text . . .

Likewise, ye younger, submit yourselves unto the elder. Yea, all of you be subject one to another, and be clothed with humility: for God resisteth the proud, and giveth grace to the humble.
I PETER 5:5

Sent in by Morris W. Peterson, San cisco, Calif. What's your favorite text Forbes Scrapbook of Thoughts on the ness of Life is presented to sende texts used.

Back of every noble life there are principles that have fashioned it.
GEORGE HORACE LORIMER

If you never assume importanc you never lose it.
LAO-TZU

RCA improves color TV with an electronic "fine tooth comb" that separates color from detail. And enhances both.
The Dynamic Detail Processor – a tiny solid state comb filter device with a computer-like "memory" – is producing sharper and clearer color TV pictures than ever before in RCA Limited Edition ColorTrak TV sets. By electronically separating the signals responsible for color and picture detail, the comb filter allows *both* signals to be fully processed by the set. As a result, minute details take on remarkable new definition and clarity, while color streaking and crawling edges (like those on checkered sport jackets) are virtually eliminated. RCA color TV sets are the first to have this solid state marvel of technology designed into them.
The Dynamic Detail Processor is a product of RCA Research – the kind of dedicated research that has been a tradition at RCA for over sixty years. Today, many years after Nipper started listening to His Master's Voice, research and development of electronic products are funded at the highest levels in our company's history. Our commitment is as it has always been, to the advancement of technology – to the creation of imaginative, but practical, products that expand the human horizon.
© 1980 RCA Corporation
RCA
A tradition on the move.

The J&B Serving Bar

It will serve Dad long past Father's Day.

Think of it as an appreciation of Dad. The J&B Serving Bar is made of hand-rubbed walnut, satin finished and protected with an alcohol resistant coating. The clear lucite holder with brass cradle will house your 1.75 liter J&B bottle. Antique brass handles make serving simple and, you can put handy bar implements in the utility drawer. Each Bar also comes with four fine Belgium crystal double old-fashioned glasses.

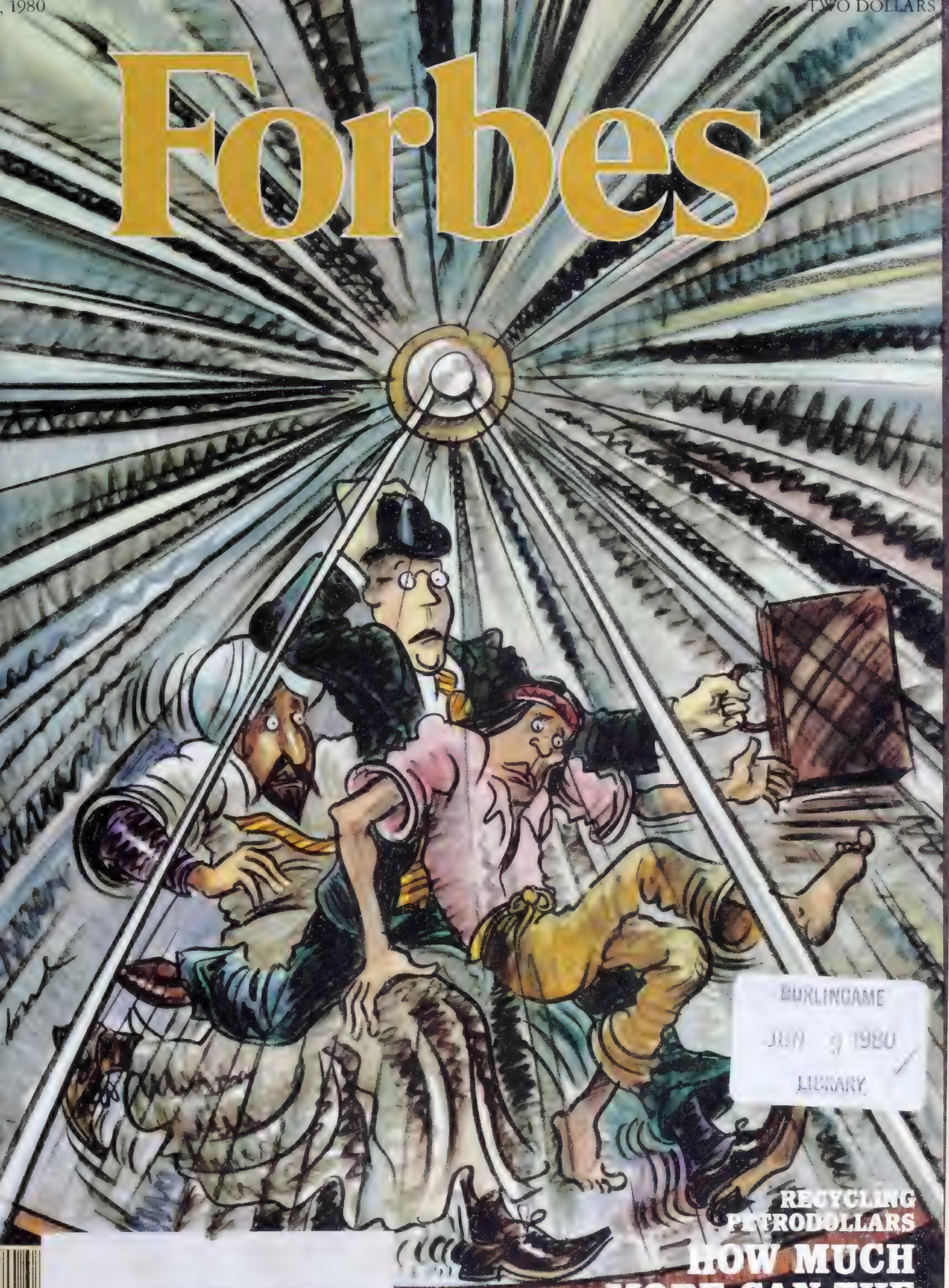
To order your Bar, enclose $39.95, plus state and local taxes (price does not include bottle of J&B Rare Scotch). Please add $3.00 for handling and mailing. Indicate the initials (maximum of 3 letters) to be engraved on the brass plate. Send to: J&B Serving Bar, P.O. Box 1379, Minneapolis, Minnesota 55440.

J&B RARE SCOTCH

Allow 6-8 weeks for delivery. Offer subject to discontinuation without notice. Offer good in the U.S.A. Void where prohibited by law.

, 1980 TWO DOLLARS

Forbes

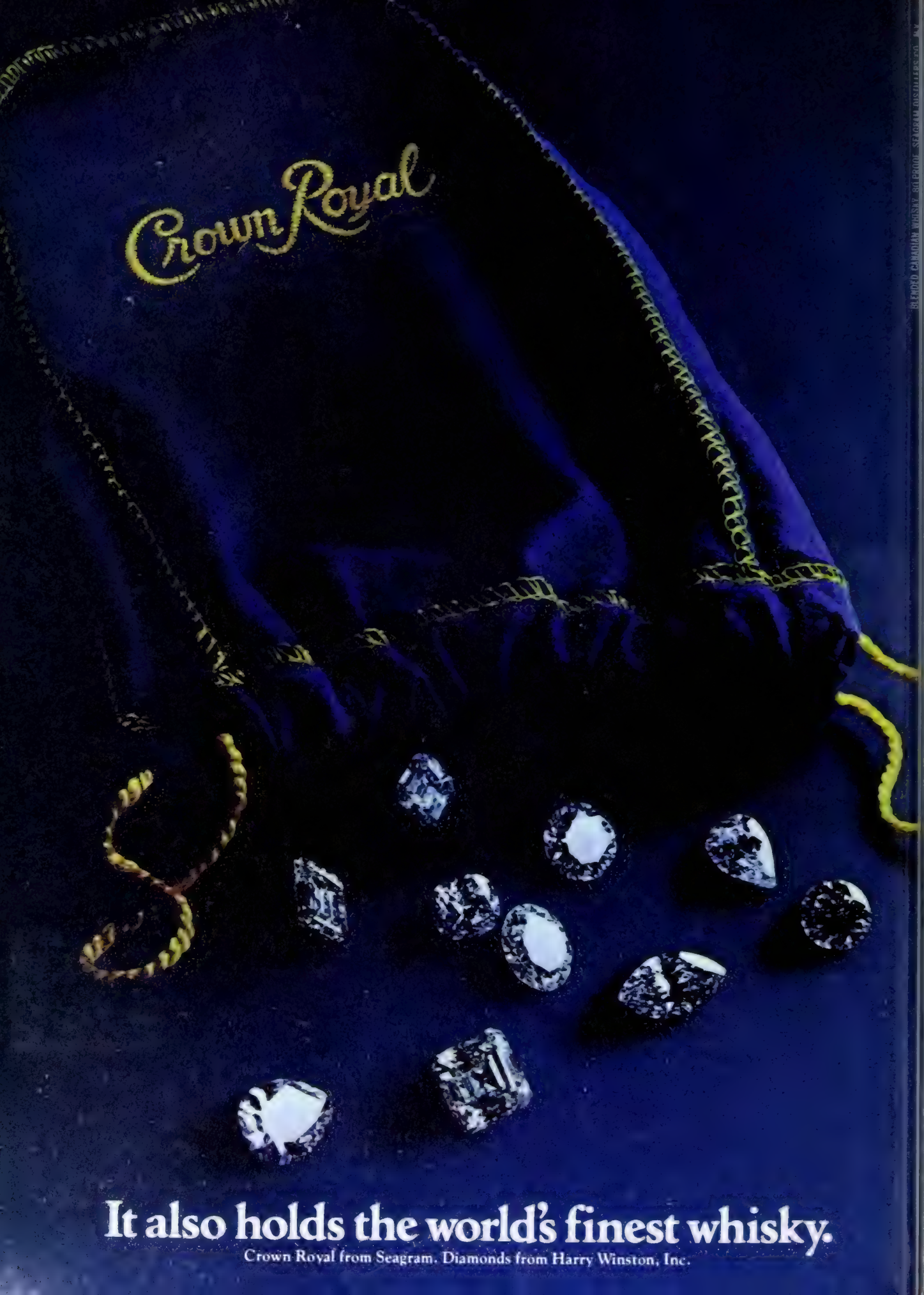


BURLINGAME
JUN 9 1980
LIBRARY

RECYCLING PETRODOLLARS

HOW MUCH MORE CAN THE SYSTEM TAKE?

21573353 AP3 NOV08 82
BURLINGAME PUB LIB
BURLINGAME CA 94010


Crown Royal
It also holds the world's finest whisky.
Crown Royal from Seagram. Diamonds from Harry Winston, Inc.

WE OPTED

Three people. Three different investment needs. For them — and for many investors — the purchase or sale of options can offer flexibility far beyond the investment possibilities you get simply by buying and selling stock.

Mr. Jerry Zeitz, a clothing salesman, wanted to participate in what he believed to be a market upturn but wanted to limit his risk in case he was wrong. His broker showed him how, by investing a small portion of his capital in call options and putting the rest of his money in high-yielding money market certificates, he could participate in a market rise yet limit his loss should the market go down. Options suited his needs.

Dr. Georgette Bennett, a sociologist, wanted to limit her investments. Speculating in the stock market appealed to her. So Dr. Bennett asked her broker to develop an options program for her that would not only give her access to stocks too expensive for her to buy outright, but would also let her know in advance the full extent of her possible losses. Options suited her needs.

Mr. Robert Blank, a Certified Public Accountant, wanted additional income from his investments. His broker advised him to sell options on his stocks, thereby gaining additional income. Since Mr. Blank was willing to forgo the chance for big capital gains in his securities for the extra income, options suited his needs.

Options are not for every investor. To find out if options suit your investment needs, and to learn more about the risks and potential rewards, talk to your broker. Ask for the informative Amex Options booklets "Protecting Your Investments With Options", "Buying Options For Profit Opportunities", and "Increasing Your Income With Options." You will also receive The Options Clearing Corporation Prospectus. American Stock Exchange, 86 Trinity Pl., N.Y., N.Y. 10006.

AMEX OPTIONS

Ask your broker

BURLINGAME
JUN 9 1980
LIBRARY

Forbes

June 23, 1980
Volume 125, Number 13

91

36

40

56

Features

Interest Rates: *Coming Down, But Slowly.* You think the prime rate is dropping fast? It's not dropping nearly as fast as it should. That's why one analyst says second-quarter bank earnings will knock your socks off. 33

The Funds: *Straw In The Wind?* Is the luster of money market mutual funds rubbing off? 34

Government: *Reindustrialization.* What businessmen needed was a tax break to help buy machinery. What they got was an eight-syllable buzzword. 35

Autos: *The Dealer Crunch.* For sale: Ford dealership with $375,000 house. 36

Autos: *The 60-mpg Car.* It's coming. So is the market. But with Detroit still flat-out trying to achieve 30 miles to the gallon, it means the Japanese could well beat them again to the next step down. 38

China: *The Inscrutable West.* In which our new friends the Chinese learn about pluralistic societies. 39

Computers: *IBM In Futureworld.* They're starting to say that IBM is over the hill. Is it? Or is there more going on here than shows up in the profit statements? 40

Companies: *"I'm Not Into All This."* National Semiconductor proved it could make computers. Now it has to learn how to market them. 49

Companies: *A Matter Of Tone.* Kemper Corp.'s Joe Luecke says underwriting is an art, not a science. Maybe that's why there's so much slippage from time to time. 52

Companies: *No Fluke.* Why is Combustion Engineering doing so well when electric power is so dismal? 56

Energy: *Gas Pains.* Are we going to have too much nat gas, or not enough? Depends on whom you listen to. ...

Companies: *How Do You Spell Trouble?* When Algeri involved, you spell it L-N-G. Panhandle Eastern's D O'Shields knew that when he signed up back in 1975. there weren't many choices then. .....

Statistical Spotlight: *Who's Hurt, Who's Not.* No reces is painless. But some companies will feel more pain t others. .....

Statistical Spotlight: *More Cuts On The Way.* Who's m likely to cut dividends? .....

Companies: *The Uses Of Rejection.* What is it that t off Walco National's "investment" targets? .....

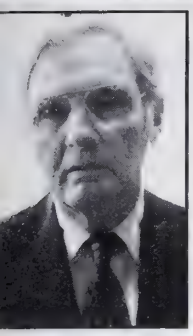
Cover Story: *How Much More Can The System Take?* 1,000% increase in the price of oil since 1973 hasn't ca a massive world depression principally because of ability of the world's banks to recycle petrodollars. But much longer can they keep it up? .....

Companies: *Resistible Retailing.* Maybe Fed-Mart Heinz Gundlach should have stayed on Wall Street. .....

Banking: *"Twenty-two Calls By 10 a.m.!"* In its TV c mercials Midlantic likes to call itself "the hungry ba Has it bitten off more than it can chew? .....

The Money Men: *"It's Actually Very Easy."* Dave Bro is living the fantasy of every finance professor—bea Wall Street's pros at their own game. .....

The Numbers Game: *Living With The Future.* Sh accountants try to predict it? .....



102

104

110

istical Spotlight: *Private Lives.* If the day of the private pany is over, nobody bothered to tell these 50 rugged vidualists. 114

Streetwalker: *The Big Bounce.* Staid old Mobil has acting like a hot $2 stock. 121

ipanies: *"Damn Near Foolproof."* Southland Corp.'s 7-en business used to be. But not anymore. The giant of venience stores has lost its way. 122

Streetwalker: *Steelyard Blues.* You would have ight that by now nobody in his right mind would call stocks a buy. But at least one astute analyst does. And rs don't. 129

Up-And-Comers: *The Main Chance.* Since his Navy , General DataComm's Chuck Johnson has kept his on it. 132

Faces Behind The Figures

eoffrey Howe, *U.K. Chancellor of the Exchequer* ... 137
l Young, *Manufacturers Hanover* 137
rt Trigano, *Club Méditerranée* 137
W. O'Green, *Litton Industries* 138
Aves, *American Soybean Association* 140
dore F. Brophy, *General Telephone & Electronics* ... 140
lement Stone, *Combined International Corp.* 140
rto C. Goizueta, *The Coca-Cola Co.* 142
issell, *Entrepreneur* 142
r Downey, *Fidelity Group* 145
e Newton, *Entertainer/businessman* 145

The Economy: *Stockholders, Beware.* The current recession is going to hit dividend payments harder, much harder, than the one in 1973-75. 147

Columnists

Ben Weberman 148
Heinz H. Biel 150
Stanley W. Angrist 152
John Train 154
Srully Blotnick 156
Ashby Bladen 157
Martin T. Sosnoff 158
David Dreman 160

Departments

Side Lines 6
Trends 10
Follow-Through 17
Flashbacks 18
Readers Say.....20
Fact and Comment.....25
Other Comments 28
Editorial Index 163
Thoughts.....164

Photos: pp. 6 top, 56, 109, 132, Bill Kelly; pp. 10, 98 UPI; p. 18, Leslie Wong; p. 36, Herb Goro; pp. 37, 39, 145 left, Art Shay; p. 49, Christopher Springmann; p. 51, Peter Tatiner/Gamma Liaison; p. 52, Robert B. Tolchin; pp. 61, 62, John Grossman; p. 76, Leroy Woodson Jr.; pp. 92, 96 top, Bettmann Archive; p. 94 top, Granger; pp. 94 bottom, 96 bottom, Culver Pictures; p. 102, James Caccavo/Empire; p. 110, Tommy Giles/Black Star; p. 113 left, Judith Pszenica; p. 137, Achache/Gamma Liaison; pp.138 left, 140 left, Patrick Pagnano; p. 140 right, Bob Satter; p. 145 center, Les Wollam; p. 145 right, Chris Maynard.

Charts: pp. 33, 41, 93, 95, 97, 147, Andrew Christie

Cover Illustration: Ed Sorel

Forbes (ISSN 0015 6914) is published biweekly by Forbes Inc., 60 Fifth Ave., New York, N.Y. 10011 Second-class postage paid at New York, N.Y. and at additional mailing offices. Subscription $27 a year, U.S.A. Postmaster: Send address changes to Forbes, 60 Fifth Ave., New York, N.Y. 10011.

Copyright © 1980 Forbes Inc

The Ro
powered
it will save m
leaves

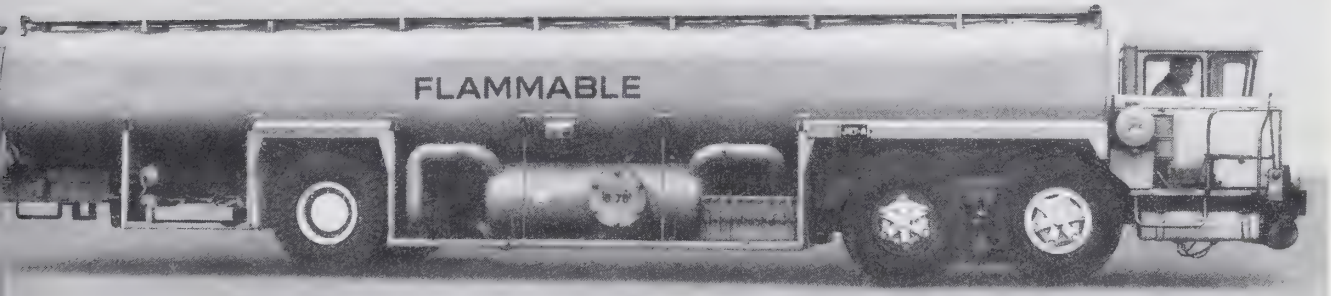
40 more passengers.

There are two ways an airline can cope with the fuel crisis. Carry more passengers. Burn less fuel.

With savings in mind, many airlines are looking for th successor to the mediu range airliners of today.

The Boeing 757 is th plane – launched with

-Royce
oeing 757–
ney before it
e gate.



40% less fuel.

olls-Royce RB211-535 ngines. It will carry at least 0 more passengers than e world's most successful irliner, the 727. And it will burn up to 40 per cent less fuel per passenger. Thanks to its advanced, fuel-efficient Rolls-Royce engines.

ROLLS ROYCE

ROLLS-ROYCE INC., 375 PARK AVENUE, NEW YORK, NEW YORK 10022.

Forbes

Editor
JAMES W. MICHAELS

Managing Editor
SHELDON ZALAZNICK

Executive Editors: Peter A. Saunders, James Cook
Economics Editor: Ben Weberman
Art Director: Everett Halvorsen
Senior Editors: Ruth M. Gruenberg, Robert J. Flaherty, Geoffrey Smith, Howard Rudnitsky, Jefferson Grigsby, John A. Conway, Stanley H. Brown, Malcolm S. Forbes Jr., Paul Gibson
Contributing Editors: Richard Phalon, Clothield Spencer, Norman Gall
Associate Editors: Jean A. Briggs, Subrata N. Chakravarty, Thomas C. O'Donnell
Staff Writers: Harold Seneker, James O'Hanlon, Allan Sloan, Carol E. Curtis, Stanley Ginsberg
Reporters: Betty Franklin, Richard Greene, Steven Flax, Thomas Jaffe
Reporter-Researchers: Flora S.H. Ling, Chief, Gerald Odening, Linda Gasparello, Christine Miles, Alyssa Lappen, Jane Carmichael, Thomas Baker, Jeff Blyskal, Anne Bagamery, Tom Chesser, Newcomb Stillwell
Washington Bureau: Jerry Flint, Manager; Beth Brophy, Ann Hughey
West Coast Bureau: John Merwin, Manager; Kathleen K. Wiegner, Michael Kolbenschlag, Nick Galluccio, Ellen Paris, William Harris
Southwestern Bureau: Phyllis Berman, Manager, Tedd A. Cohen, Toni L. Mack
Midwestern Bureau: Bob Tamarkin, Manager; Lisa Gross
European Bureau: Lawrence Minard, Manager; Barbara Ellis, Maurice Barnfather
Copy Department: Donald E. Zipperer, Chief; Marlene Mandel, Deputy, Dolores Guilhot, Jane Lashaw
Art Department: Roger Zapke, Ronda Kass, Assistant Directors; Nikki Frost, Photo Editor; Philip Gefter, Assistant Photo Editor
Columnists: Heinz H. Biel, Thomas P. Murphy, Stanley W. Angrist, John Train, Martin T. Sosnoff
Director of Production: John J. Romeo; Robert M. Rosengarten, Edward B. Morgan, Robert D. McDaniel, Assistants
Advertising Production: Patricia Deckelnick
Photocomposition: James Cianelli, Manager; Karen Heuler, Assistant; Lynn Gaspar, Johnnie English, Arthur Petz
Information Services: Robert M. Sterenson, Manager
Library: Dolores A. Latamiotis, Chief; Clarita Jones, Santiago Alvarado, Gloria Katz
Statistics: Donald E. Popp, Editor; Maria M. Latorraca, Associate Editor; Edward Sakalian, Ann Oliver, Paul Bornstein, Tom Kue, Steve Kichen

President and Editor-in-Chief
MALCOLM S. FORBES

Publisher
JAMES J. DUNN

Executive Vice President
LEONARD H. YABLON

Vice President and Secretary: Malcolm S. Forbes Jr.
Vice President and Controller: Joel B. Redler
Vice President and Treasurer: Leonard Greenberg
Vice President and Assistant Publisher: Christopher Forbes
Director of Advertising: Stephen G. Nicoll
Director of Corporate Communications: Wm. Donald Garson
Director of Circulation: John M. Thornton
Director EDP: Jerome Hoffman
Advertising Representatives:
New York: 60 Fifth Ave., 10011, Peter M. Schoff, Manager; (212) 620-2232 Arnold J. Prives, Fin'l Adv. Mgr.; George C. Clissold; Donald W. MacDonald; G. Croft Henry; John Wilson; Richard Calkins; Ellen S. Dweck, Kevin D. Miller; James W. LaCirignola, Dir. Int'l Adv.; H. Duncan McMillan, Dir. Spec. Proj.; Thomas G. Petersen, Co-Dir. Spec. Proj
Atlanta: 550 Pharr Rd. N.E., 30305, Charles S. Thorn Jr., Manager; (404) 233-2457
Chicago: 435 N. Michigan Ave., 60611 Richard W. Reynolds, Manager; (312) 467-5000 James H. Mallon
Cleveland: Suite 501, The Leader Building, 44114, James B. Norton, Manager (216) 771-1271
Dallas: 4681 First National Bank Building, 75202, Fred H. Wellington, Manager; (214) 742-7001 William R. Arnold, Co-Dir. Spec. Proj.
Detroit: 3331 West Big Beaver Rd., Troy, Mich. 48084, Richard E. Forbes, Manager; (313) 643-0105
Los Angeles: 5900 Wilshire Blvd., 90036, Craig E. Miller, Manager; (213) 931-8131
San Francisco: 625 Market St., 94105 John B. Cunningham, Manager; (415) 788-2366
Classified: Sarah Madison; (212) 620-2371 60 Fifth Ave., New York, N.Y. 10011

Mgr. Subscription Service: T.M. York
60 Fifth Ave., New York, N.Y. 10011

PAID CIRCULATION OVER 680,000

FOUNDED 1917 BY B.C. FORBES (1880-1954)

Side Lines

Life among the moles

If knowledge is power, then so is secrecy, and for that reason few corporations have been so guarded about their marketing and corporate strategies as International Business Machines has long been. No surprise, then, that a lively community of IBM-watchers has grown up, much as Kremlinologists have and for much the same reasons. You find them working for IBM's competitors, of course, and on Wall Street. In a few cases they have busted out to form independent, miniature intelligence agencies for hire. One such is the Gartner Group, located in Greenwich, Conn., only a short drive from IBM headquarters at Armonk, N.Y. Some of Gartner's analysts live in IBM country as well, the better to infiltrate places like Darien, where IBM executives abound, and to keep in touch with an extensive network of moles burrowing away inside IBM.

"We serve three constituencies," explains founder Gideon I. Gartner, 45, and once upon a time an IBM executive himself. "One is the big end-users, like Ford or GM; one is the investment community through an affiliation with Dillon, Read & Co.; and one is the computer companies themselves. Even IBM subscribes to our service." Subscriptions to his newsletters and think pieces fetch from $12,000 to $20,000 a year.

All three of Gartner's constituencies

FORBES Staff Writer Harold Seneker

will be interested, we think, in th story in this issue *(see p. 40)*. P beneath the company's public ments, Staff Writer Harold Seneker several weeks among the profes IBM-watchers, including the G Group. He got a rare break when he f went up to IBM headquarters and viewed Chairman Frank Cary. He Cary generous with his time and, veteran of traditionally close-mo IBM, unusually willing to look bac look ahead—all of it for the record.

Salut

The Sixth International Balloon Meet at FORBES magazine's Château de Balleroy, near the Normandy beaches of France, has just taken place. Over 10,000 persons visited Balleroy to see the fireworks, tour the only international balloon museum in the world and watch 28 balloonists from 14 countries do their thing.

To salute this and other contributions to Franco-American amity, the French government recently presented th der of Merit, France's highest ci honor, to Malcolm Forbes in the of the President of the French Senate

Following the Meet, Forbes, son ert and nephew Duncan, along wit *World* Editor Alan Girdler and Norw doctor Jan Engzelius, took off on r cycles for the Arctic Circle's North 3,900 kilometers from Balleroy.

Malcolm Forbes receiving the Order of Merit—for hot air

OEING COMPUTER SERVICES' TSTRUDL PRODUCED 4 COMPLETE ANALYSES OR NEW RIGID FRAME IGH-RISE

Limiting deflection for drift control is a common structural engineering lem especially when the rigid frame structure is to be 24 stories tall. Engineers for a new octagonal building chose a productive solution. g Boeing Computer Services' GTSTRUDL (Georgia Institute of Technology ctural Design Language) they were able to produce 24 complete analyses... In addition to automatic generation of the structure, GTSTRUDL produced ifications for wide flange shapes from tables stored in the system.

With this many alternative analyses to work with, the engineers were able e their experience and understanding to be the decision makers.

GTSTRUDL offers the structural design engineer an extremely cost effective ronment. It offers him a service that is a highly productive engineering tool. Boeing Computer Services offers engineers rapid access to multiple CDC ER and IBM computer systems via one of the world's largest privately aged communications networks. In addition to GTSTRUDL, BCS ides engineers a comprehensive line of analysis tools and support products ding graphics for a number of engineering applications covering a range of neering disciplines.

To learn more about these cost savings opportunities, write or call: am O. Sparks, Boeing Computer Services Company, 177 Madison Avenue ristown, NJ 07960 (201) 540-7786.

☐ Please send me literature on BCS Engineering Computer Services.

☐ Have your representative call and schedule a brief but productive meeting.

Name

Title

Organization

Address

City

State Zip

Telephone

6FO-4

OEING COMPUTER SERVICES

on of The Boeing Company

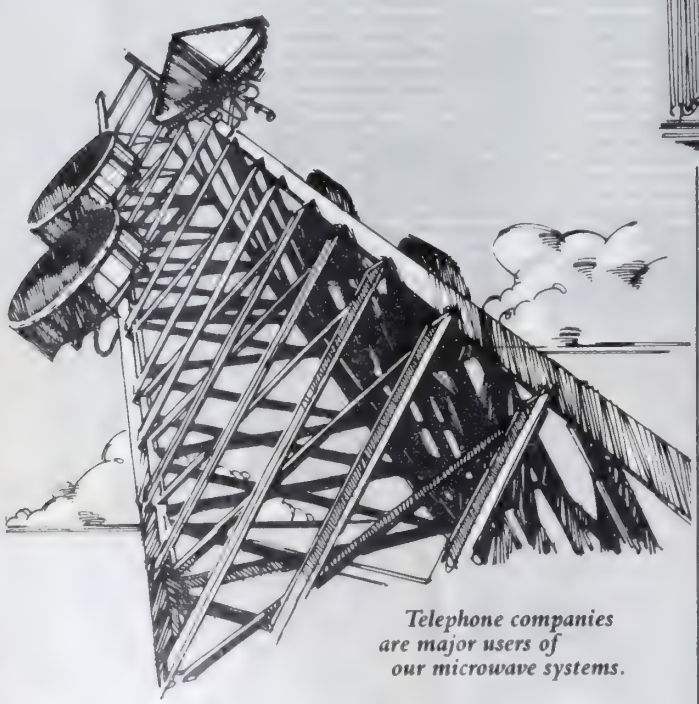
Rockwell Internationa is more than a leading builder of digital microwave systems.

Much more.

Electronics.

(Sales, fiscal 1979: $1.5 billion)

Among our many electronic products is our new Collins digital microwave equipment. It's been selected by more than two-thirds of the Bell operating telephone companies and most of the large independents. *The New York Times* uses it to send page images from



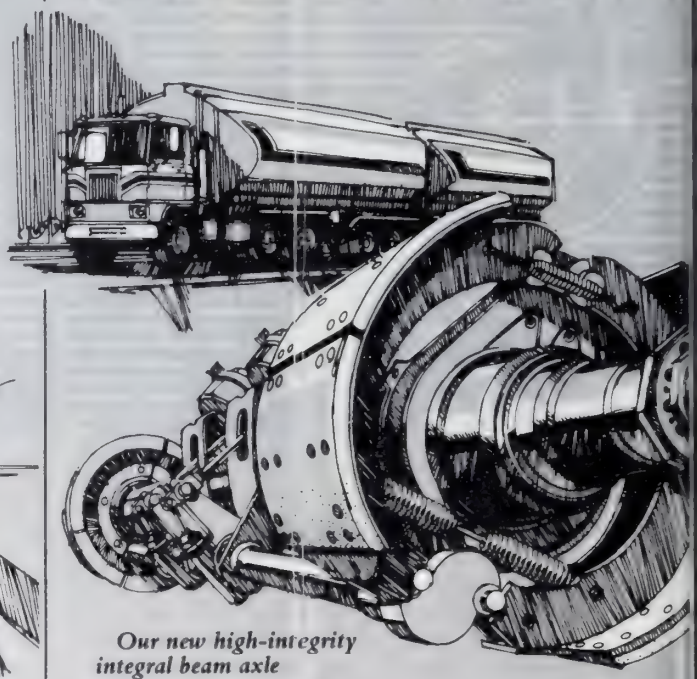
Telephone companies are major users of our microwave systems.

composing room to platemakers miles away — in minutes. We're also a leading analog microwave supplier to railroads, pipeline companies, and many others.

In another of our electronics businesses, our automatic call distribution systems are used by nearly every major U.S. airline to speed telephone reservations. We're one of the world's leading suppliers of avionics for air transport, general aviation and military aircraft. We're also a major defense electronics supplier and we produce a wide variety of microelectronic systems and devices.

Automotive.

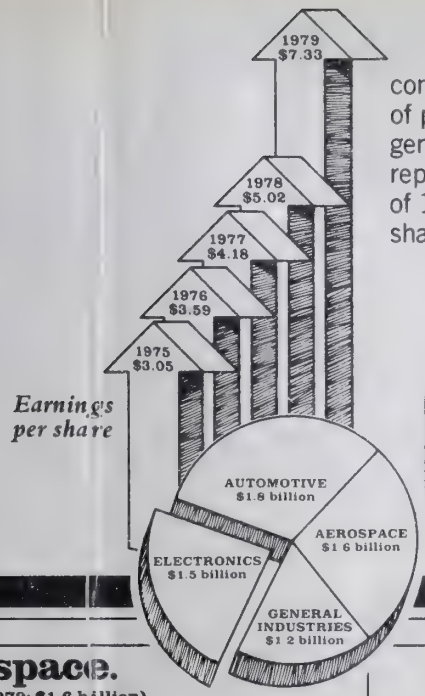
(Sales, fiscal 1979: $1.8 billion)



Our new high-integrity integral beam axle reduces stress concentration over the entire length of the axle.

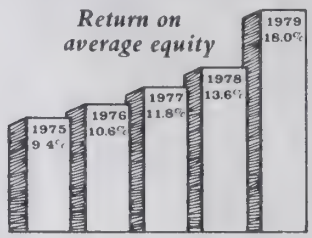
Our new high-integrity integral beam axle is designed to lengthen trailer axle life by reducing stress over its entire length. It's rated at 10% higher capacity is ten pounds lighter than competitive axles. By combi this trailer axle with our U-joints, brakes, hubs, drums springs and other axles, a typical 5-axle truck could sa up to 1,482 pounds of dead weight for increased payloa

One-half of the highway tandem tractors in Nor America are equipped with our axles — and more than half of the heavy-duty trucks stop with our brakes. We' also a major supplier of steel and styled aluminum wheels, mechanical devices, castings and forgings, an components for light and heavy trucks, passenger cars and buses.



Fiscal 1979 sales

Rockwell International is a major multi-industry company, applying advanced technology to a wide range of products — in electronics, automotive, aerospace and general industries. Our $6.2 billion sales in fiscal 1979 represent an increase of 16 percent over the $5.3 billion of 1978. Net income totaled $261.1 million, or $7.33 per share, an increase of 48 percent over 1978. Return on average equity has increased to 18 percent, which is a substantial improvement over the previous year and nearly twice that of 1975. We invite you to read more about our balanced diversification, below.

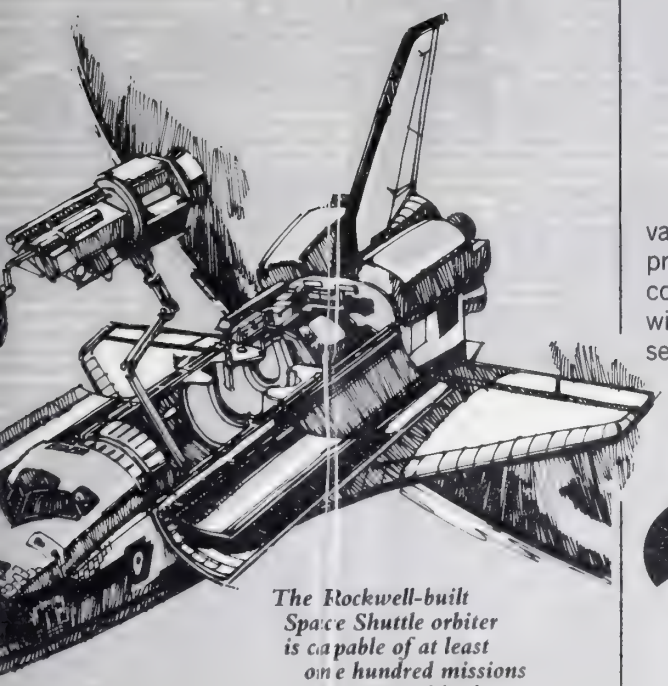


Aerospace.

(Sales, fiscal 1979: $1.6 billion)

We're prime contractor to NASA for the Space orbiters, their main engines, and for integration ntire Space Shuttle system. Since the engines iters are reusable, they will help lower the cost of g the benefits of space down to earth.

Our role in this, the most advanced project in the of space, is just one of our aerospace activities. have a long, proud history as a designer and of business and military aircraft. And for the Positioning System (GPS), we're building Navstar es which — together with receiving equipment our Electronics Operations — will enable GPS pinpoint their positions to within 30 feet on sea and in the air.



The Rockwell-built Space Shuttle orbiter is capable of at least one hundred missions into space and back.

General Industries.

(Sales, fiscal 1979: $1.2 billion)

We make a wide variety of gas and water meters, and instruments that read water meters electronically. One records readings on magnetic tape for subsequent computer-prepared billing. These timesaving innovations help utilities improve productivity and fight rising costs.

Our new Tele-Tape remote meter reader system is an application of our electronics technology.

We're a leading supplier of high-technology valving used in the production, transmission and processing of oil and gas. We also make industrial and consumer power tools. In addition, we're a world leader with our Goss printing presses and Rimoldi industrial sewing machines.

For more about us, write for our annual report: Rockwell International, Dept. 815R-38, 600 Grant Street, Pittsburgh, PA 15219.

Rockwell International

...where science gets down to business

Automotive/Aerospace
Electronics/General Industries

A new look in bonds

A new wrinkle in tax-free municipals—bonds with floating interest rates—arrived on Wall Street last month and found immediate favor. E.F. Hutton sold off two pollution-control industrial development issues, one for $21 million for Bucks County, Penna., the other for $27 million for Utah County, Utah, both backed by U.S. Steel. Interest rates will be figured on a weekly basis, pegged to U.S. Treasury bills and the 30-year Treasury bond "constant maturity" rate. The floating rates, says William L. Clayton, a Hutton senior vice president and director, are subject to a floor of 6% and a ceiling of 14% and should help keep the bonds at par. (Last week, they were at par and delivering 7.804%, *vs.* 7.87% on opening day.) Maintaining the price of the bonds, Clayton says, offers two pluses: "It should encourage people to move into municipal bonds, and for the issuers, since there is less risk on the principal, it opens up a market that has dried up." What about the bookkeeping burden of figuring interest on the two issues every week? With computers, Clayton sees no problem. He admits, however, that the value of the bonds' coupons cannot be figured in advance but will probably have to be averaged over the payment period.

Back to the gas crisis

Cutbacks in gasoline consumption in the U.S., despite progress shown recently, amount to only a drop in the gas tank, according to a new study of 63 experts headed by Harvard's Dr. Daniel Yergin, coeditor of the university's far-reaching report of last year, *Energy Future* (FORBES, *Oct. 15, 1979*). The new study calls for a swift cut of 20% in gas consumption, saying that without it the U.S. faces a "crisis of mobility" in the 1980s. Throttling back that much—consumption is now about 7 million barrels a day—would be like adding "a new Kuwait or a new Iran to the world market." The reasons for concern are manifold, Yergin says. One is a worsening outlook for oil supplies in the coming decade. Even ending price controls, he adds, won't help. The study concludes that U.S. domestic oil production is likely to slip from its present 10 million barrels a day to 3 million or 4 million by 1990. At the same time the Harvard group—professors, energy reporters, economists, administrators—sees the U.S. woefully unprepared for any oil cutoff and with a standby rationing plan that could prove "an administrative monstrosity." Is there any solution? One advanced in the new report could be a gas-tax increase of 30 cents to 50 cents a gallon (which would bring the U.S. levy to about a third of Western Europe's tax bite). Another would be 40-miles-per-gallon fuel efficiency rules for 1985-95, something Yergin says has strong support and which Detroit is in better shape to deliver because of its success in improving mileage in recent years. Not that it will be easy. "Obviously," Yergin says, "the automobile industry faces considerable difficulty in assembling the necessary capital."

Windfall

The volcanic explosion that ripped 1,400 feet from the crest of 9,600-foot Mt. St. Helens and blanketed the Northwest in ashes will mean an unexpected harvest for some businesses in the area. Forest-product companies like Weyerhaeuser, for example, had thousands and thousands of their forested acres flattened by the blast. Because these trees will only rot if left on the ground and, more importantly, because they are clogging the region's roads and waterways, the land must be cleared as quickly as possible. The harvest, moreover, will be more plentiful than the usual cutting. Normally, loggers clear only selected parts of a forest, saving the rest for the future. In this case, everything must be harvested. And because the volcano blew down the trees in more or less orderly windrows, the clearing will be expedited. Another Northwest company braced for a rush of unexpected business is Omark Industries of Portland, Ore., whose $200 million in sales includes 65% to 75% of the world market in the chains that provide the cutting edge for woodmen's chain Not only will the loggers need more to clear the mountain's devastated rons, but because volcanic ash is so sive, the chains will need more free sharpening—and Omark also man tures the files used to sharpen them

Mt. St. Helens blows its top
Even catastrophe can pay off.

How open the arms?

Signs of friction have developed a conservative American Enterprise tute over the "open arms" policy to Cuban refugees. An outspoken pron of the idea at the AEI (often dubbed Republican Brookings Institution") dro Sanjuan, a former State Depart protocol officer and one of the b lights on JFK's New Frontier. San whose father conducted a symphon chestra in Havana, argues that the could score a diplomatic coup in th ribbean by taking all comers from with the aid of our European allies sees no reason why European cou couldn't take at least 5,000 apiece. not inconceivable, he says, that Ca economic disasters might promp Kremlin backers to find someone place him—as they have done in ghanistan. Sanjuan's open-arms pr ments (he wants it for Haitians als not sitting too well with some c colleagues at AEI who fear that the try's immigration laws are beco meaningless and that the U.S. may itself with Spanish-speaking enc forming across the land.

Open season for banks

Willy Sutton used to say he robbed b "because that's where the money His gospel seems to be spreading. C against banks have been rising ste since 1976, but last year they ju almost 28% and for the first tin history passed the 7,000 mark. (In the FBI counted 5,500 "external cri against banks.) Nor were these j bank heists; the average loot last was more than $6,200. Inside jobs an even bigger toll. The average lo the 7,300 internal crimes the G-me vestigated, 80% of them by bank ployees, rose to $18,600, compared $14,700 in 1978. (The FBI lumps mercial banks, mutual savings b savings and loan institutions and fe ly insured credit unions in its stati Bankers, naturally, are rattling thei ers' cages, even though convictio bank crime rose in 1979, from 1,1 more than 1,200. What particularl sets the moneymen is the 14% cut FBI's budget for bank-robbery sleu next year. "To make a drastic cu time like this," says John Wolff, an

Is overnight account settlement anything for an American bank to brag about?

That depends on where the customer is.

When an international securities exchange in the Old World set out to trade in the New World, they discovered unique problems. Due to local time differences, their American bank would only have 13 hours to settle accounts for the exchange's members before the start of trading the next day. The account statements then had to be sent smoothly across the Atlantic, landing in the exchange by midday European time, complete and error free.

Our Custom Cash Management team mapped out a perfect solution which used our Cash Connector terminal operating via transatlantic computer network. The system is fully automated and is part of our normal overnight operation, so virtually no crises or errors ever become a part of our client's operation.

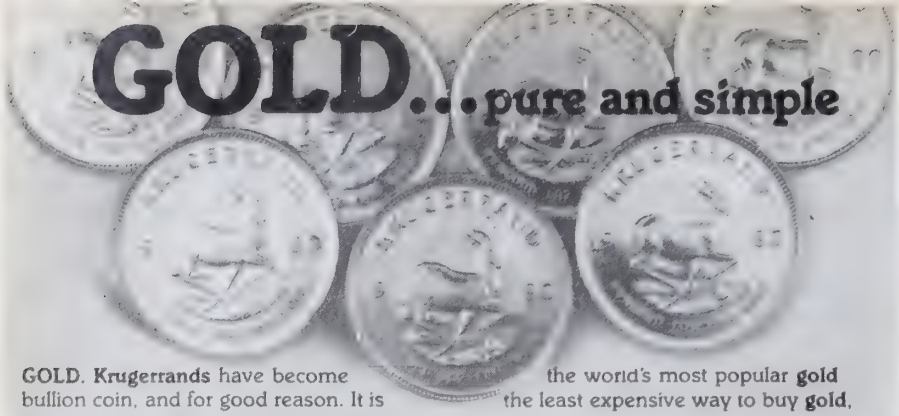
For a custom look at your cash management problems, contact Bankers Trust. Because if your problems aren't exactly like everybody else's, your banker shouldn't be, either.

Custom Cash Management

Bankers Trust Company

© Bankers Trust Company
Member FDIC

GOLD...pure and simple



GOLD. **Krugerrands** have become the world's most popular **gold** bullion coin, and for good reason. It is the least expensive way to buy **gold**, and no costly assay is required for sale.

Because it contains exactly one troy ounce of **gold** you know exactly what your **Krugerrands** are worth at any time. Simply check the daily **gold** market quote in the newspaper.

Krugerrands are liquid, discrete, and un-matched for holding value against inflation. Just 4 years ago it took 106 Krugerrands to buy a new Mercedes. Today it takes only 36.

Gold is made simple by the specialists at the Galeries des Monnaies of Geneva, Ltd.

Buying **Krugerrands**, like making any investment, is more profitable and comfortable with the personal attention and guidance of an expert. The Galerie des Monnaies, as New York's leading dealer in rare coins and medals, is ready to put its worldwide resources, reputation, and experience to work for you.

Visit the Galerie des Monnaies. Speak with our experts, and discover the added value knowledge can bring to the world's most coveted metal. Whether you are interested in 1 or 1000 **Krugerrands**, the Galerie can serve your needs.

After all, your first Krugerrand probably won't be your last.

Galerie des Monnaies *of* Geneva, Ltd.

Rare Coins & Medals

970 Madison Avenue (corner 76th St) New York, N.Y. 10021 Tel: (212) 734-9700 Telex: (ITT427274)

Branches in GENEVA DÜSSELDORF PARIS

SOLVE YOUR 1980 TAX PROBLEMS ... NOW!

100% FINANCING AVAILABLE

For Qualified Individuals

Solid equipment leasing programs available for high tax-bracket individuals.

You may receive regular income from established firms, while sheltering your other income.

Up to 400% of the funds you invest may be tax-deductible.

★ ★ DON'T WAIT ★ ★

For Information Contact ...

MORGAN, WARNER, LEEDS & RHODES LTD.

2040 Avenue of the Stars, Suite 400
Los Angeles, California 90067
(213) 552-2211

CHANGE OF ADDRESS

If you are moving, let us know six weeks before so we can keep Forbes coming. Enter your new address on this form and return it with a recent mailing label from the magazine.

NEW SUBSCRIPTION

To order Forbes, enter your address on this form and check the subscription you prefer. ☐ 1 year $27.00 ☐ 3 years $54.00 (the equivalent of one year free). Canadian orders, add $4 a year. Pan-American and Caribbean orders, add $5 a year; other foreign, add $15 a year.

Subscription Service Manager
Forbes, 60 Fifth Avenue
New York, N.Y. 10011

ATTACH MAGAZINE MAILING LABEL OR WRITE SUBSCRIBER NUMBER HERE
(see above name on label)

Name (please print)

New Address

City

State Zip

Date of Address Change F-4826

Trends

ciate director of the American I
Association, "just doesn't make
To compound the problem, Wol
the bureau has also made deep
funds for training local police to
bank robberies, burglaries and lar

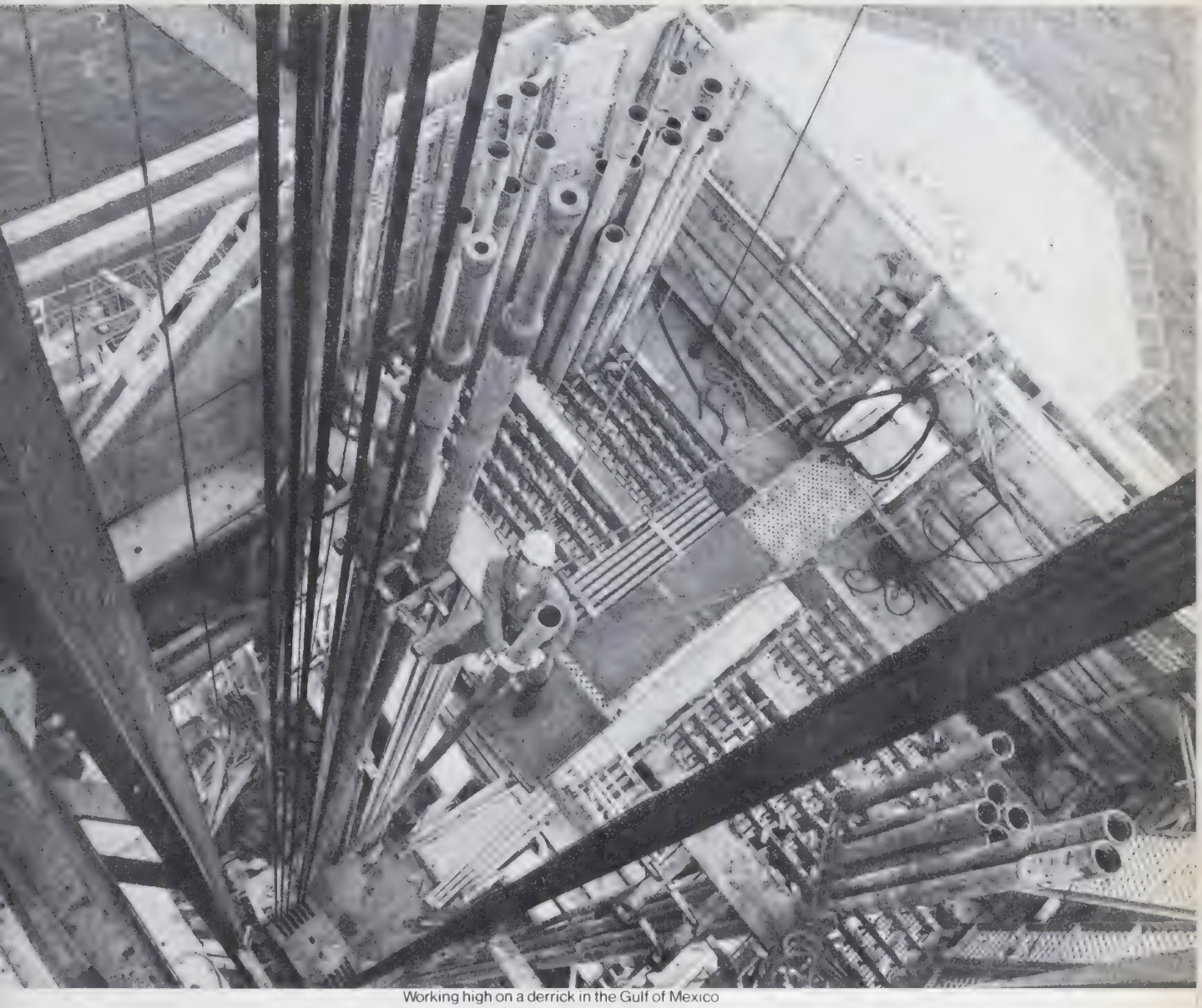
The penny pinchers

Americans are hoarding pennie
and the supply in circulation is
dling even though the U.S. M
cranking out more than a bi
month, up 33% from 1979. Jame
who manages cash operations
Federal Reserve, denies any prod
caused shortage but adds caut
"We're having some problems m
demand." The Fed is in fact using
tive distribution," a kind of ration
meet demand from its 37 banks.
markets in Washington, D.C. are
customers to pay in pennies and
stores are putting cigar boxes nea
registers to collect the coins. The
vation for the hoarders and spec
whom the Fed's Stull blames
problem is a mystery, though son
may be the result of a rumor th
Mint will not make a copper cen
year because of the expense. Th
penny panic occurred in 1974 wh
Mint asked for legislation to let it
aluminum pennies. Congress
down the request.

The open road

Despite the recession, travel in th
seems to be heading for a warm su
First reports from state travel of
motel and food-chain operators, tu
tolltakers and federal parks o
show business up and bookings
Vacation costs are growing—at a
12% annual increase—according
U.S. Travel Data Center, and Ame
seem to be shaking off the stay-at
spirit that drove down travel rev
during the gasoline-short 1979 su
Pennsylvania (which also had the
Mile Island nuclear scare to conten
last year) is showing early foot
travel market this time. Colorad
pects an 11% increase in its num
tourists and Florida is predicting
jump in tourism sales. Attendance
national parks is also looking for
nificant rise this summer. The
around may be partly the result of
penchant for close-to-home vaca
The American Automobile Assoc
says that requests for routings, the
tiks strip maps that long-distance
tioners use for navigation, dropped
ly 4% in the first three months of
compared with the same period last

How A&A looks at offshore drilling



Working high on a derrick in the Gulf of Mexico

From derrick to corporate offices, xander & Alexander studies rig ety through a contractor's eyes. scrutinize the workers and the rking environment. Probe routine rations and emergency evacuation ns. Learn the whys of injuries and hows of accident prevention. w down-time as dollars.

It's not the usual way to look at shore oil rigs. Unless, of course, re one of the oil companies on A's roster of clients.

fety programming

But this insider's vantage point es A&A the best view of the risks olved in offshore drilling. It's the me of reference that enables our s control consultants to be sticklers safety for any corporation with h hazards. Ferreting out hot spots m loss data banks. Casing the carrier's services. It's how we create comprehensive safety programs that work. And stay on top of them, alert to changing conditions, new hazards, new operations, new technology.

Every industry is unique. Each has different needs. For insurance, for risk management, for human resources management, for financial services. That's why A&A works from a client's point of view. Only by working as partners, by solving business problems together, can we be sure a company gets the most comprehensive, cost-efficient programs possible.

We think our dedication to forming a close alliance with our clients is a big reason why A&A has become one of the biggest and most trusted insurance brokers worldwide. Each of our 120 offices here and overseas has the facilities, expertise and strength to meet the needs of any company, large or small, in any industry. Because we work the same way with every client. From the client's point of view.

Alexander & Alexander

From the client's point of view.

HOW A PHONE NUMBER CAN BE YOUR "OFFICE" IN ANOTHER CITY.

Now there's an ingenious way to build your business in a distant city without the expense of an out-of-town office. It's done through an amazing advancement known as Remote Call Forwarding (RCF).

It Works Like This

The Bell System assigns your firm a local number in the city where you want to develop additional business.

Your customer looks you up in the local phone book and dials the number. The call is re-directed via Long Distance to your home office in another city. Or another state. There's no operator assistance, so there's no waiting.

Now you have a local presence—without spending a penny for space, furnishings, or personnel. And you're in White and Yellow Pages directories—at no additional charge.

Surprisingly Low Cost

What's the cost? It's surprisingly low—less than $22 a month, plus the low direct dial rate for each incoming call.

There's also a one-time service charge (for the connection in the distant city).

But there's no need for additional lines and equipment.

Note: We'll advise you on the availability of RCF in the market area you choose.

Open New Markets

But the real wonder of RCF is what it can do for your business. For instance, if you want to test out a new market, you don't have to open an out-of-town office. You open an "out-of-town office number"—with RCF.

Let's say you're an electrician. Potential customers receive your "local" advertising or look you up in the local phone directories. They call. You then make appointments and bunch the appointments into as

few days as possible. In this way, you build your market with the least expense and effort.

On the other hand, you may discover there's not enough business to warrant an office in a particular town. And you haven't lost a lot of money finding out.

Amazing Opportunities

But that's just the beginning of your amazing opportunities with RCF. Let's say you deal with customers in a distant town. With RCF, they don't have to call collect—so they feel more comfortable about calling. They feel you really want their business, and they tend to order more.

You can also use RCF to improve customer service, gain customer loyalty, and so build business. For instance, if you're a dealer with lots of retail customers in one town, they don't have to wait for a salesperson to call. They can order, get the latest prices, the newest deal.

Retail stores accept orders from surrounding cities. Stockbrokers get more calls from clients when they offer RCF. Truckers have learned to build up business in the city where they deliver, and so return with a load. And a whole range of other industries—manufacturing, business services, real estate, construction, loan companies, personal services, wholesaling, finance, and more—have discovered its power.

Here's More Help

In addition to RCF, your Bell business expert has all these other ways to help you manage your business better:

#1 800 Service. Generate direct response leads, using the toll-free 800 number. Improve service, speed orders. Expand market area, answer consumer questions, conduct product research, improve company image.

#2 WATS Lines for Small and Medium Businesses. Learn the most economical ways to buy WATS—by time, by area—and how WATS can build profits, improve customer service, and reduce selling costs.

#4 Selling Smaller Accounts. Instead of visiting distant accounts, sell by Long Distance. Reduce the cost of making the sale. Sell more accounts. Reach customers at the point where lowered inventory prompts them to buy.

#5 Handling Inquiries. Turn mail or phone inquiries into sales. Learn how to capitalize on a prospect's interest immediately with quick and competent action. Establish rapport that cannot be achieved by responding through the mail.

#6 Opening New Accounts. A tested, practical way to do it by phone. Total program covers everything from building a list and screening a prospect's interest to closing the sale.

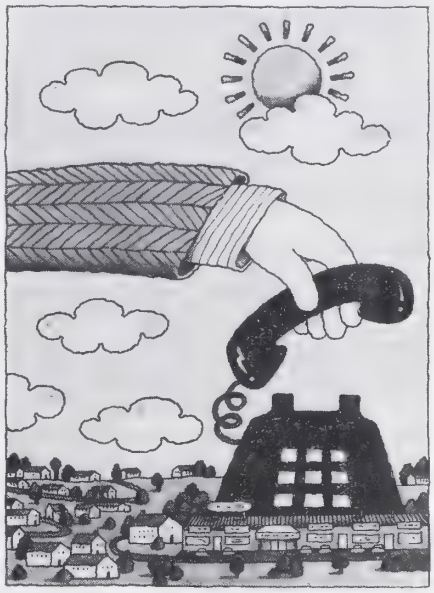
Bell System

CALL 800-821-2121,

Ext. 952.

toll free anywhere in the contiguous United States. In Missouri, call 800-892-2121, Ext. 952.

ELL BUSINESS EXPERT
L TALK TO YOU. You can
ct to have a relaxed, friendly
You'll discover whether RCF
be a practical, profitable plus
our business. To help you, we'll
information. So we'll ask ques-
, like the ones listed below. No
rises, nothing you won't have
nswer to. You'll find the discus-
thoroughly enlightening and
yable.



hat is your product or service?
ow many locations does your
siness have?
hat type of advertising/promo-
on do you use?
ow do you handle inquiries at
resent?
o you accept collect calls?

Q. Are you currently using services other than your local lines—such as WATS or Reverse Charge?

Q. Does your business have plans to meet specific business objectives, such as increasing market coverage or increasing market share?
Q. To how many cities would you like to expand market coverage?
Q. How do you currently test or expand market areas?

OR WRITE.

Fill in below or attach your business card and mail.

Bell System Sales Center
811 Main Street, P.O. Box 549
Kansas City, Missouri 64141

Yes, I am interested. Tell me more about:
☐ #3 Remote Call Forwarding

I would also like to know more about the subjects I've checked below.
☐ #1 800 Service
☐ #2 WATS Lines for Small and Medium Businesses
☐ #4 Selling Smaller Accounts
☐ #5 Handling Inquiries
☐ #6 Opening New Accounts

Name_____

Title_____

Company_____

Address_____

City_____ State_____ Zip_____

Area Code_____ Business Phone_____

800-821-2121, Ext. 952

call toll free, dial 800-821-2121, Ext. 952, anywhere in the contiguous United States. In Missouri, call 800-892-2121, Ext. 952.

Bell System

952-005

$100,000,000

Manufacturers Hanover Corporation

10¼% Notes Due May 1, 1983

Price 100%

plus accrued interest from May 1, 1980

Upon request, a copy of the Prospectus describing these securities and the business of the Company may be obtained within any State from any Underwriter who may legally distribute it within such State. The securities are offered only by means of the Prospectus, and this announcement is neither an offer to sell nor a solicitation of any offer to buy.

Goldman, Sachs & Co.

Merrill Lynch White Weld Capital Markets Group
Merrill Lynch, Pierce, Fenner & Smith Incorporated

Salomon Brothers

Blyth Eastman Paine Webber Incorporated
Dillon, Read & Co. Inc.
E. F. Hutton & Company Inc.

Lazard Frères & Co.
Shearson Loeb Rhoades Inc.
Smith Barney, Harris Upham & Co. Incorporated

Warburg Paribas Becker A. G. Becker
Dean Witter Reynolds Inc.

Keefe, Bruyette & Woods, Inc.
M. A. Schapiro & Co., Inc.

ABD Securities Corporation
Arnhold and S. Bleichroeder, Inc.
Atlantic Capital Corporation
Basle Securities Corporation

Alex. Brown & Sons
Daiwa Securities America Inc.
F. Eberstadt & Co., Inc.
A. G. Edwards & Sons, Inc.

EuroPartners Securities Corporation
Robert Fleming Incorporated
Hudson Securities, Inc.
Kleinwort, Benson Incorporated

Ladenburg, Thalmann & Co. Inc.
Moseley, Hallgarten, Estabrook & Weeden Inc.

New Court Securities Corporation
The Nikko Securities Co. International, Inc.
Nomura Securities International, Inc.

Oppenheimer & Co., Inc.
Piper, Jaffray & Hopwood Incorporated
Wm. E. Pollock & Co., Inc.

Stuart Brothers
Thomson McKinnon Securities Inc.
Tucker, Anthony & R. L. Day, Inc.

Wood Gundy Incorporated
Yamaichi International (America), Inc.

May 22, 1980

hat books, what ratings?

ewing the sorry way that big cities their billion-dollar books, FORBES *bers Game, Mar. 3)* laid at least part e blame on the financial services rate the bonds those governments o investors. These agencies, FORBES should insist on better bookkeeping 'could get compliance simply by deding it." Instead, their "transparentlf-serving" attitude seemed to be: "If *body* could easily understand mualities' books—then who would the raters?"

ose comments brought an immedind outraged retort from Standard & 's Corp., a leading watchdog of mual securities. "S&P's is a rating cy, not a regulatory agency," the ser- protested. "Public sector financial rting is not easily disciplined. In-, some of it is embedded in the contions of various states, and if the Congress can't bring sufficient pow- bear to improve things, it's naive to k that a private corporation can."

ive or not, last month Standard & 's, echoing FORBES' criticism of local rnment accounting, blasted the of Massachusetts as "among the est" in its reporting and "substan-" in the timeliness of its financial ments. More to the point, S&P's ed up its words by dropping the ratof the Bay State's general obligation ls from double-A to double-A minus. d what effect did that have? On the day that S&P's downgrading of sachusetts paper was reported pub-, the commonwealth floated a $76 on general obligation issue. The unriters, who of course were aware of 's downgrading, did have some trepion about what effect it might have. the bond market making a euic recovery from its earlier chaos, ever, the new issue sold out immedi-, leaving still unanswered FORBES' tions about municipal accounting the rating services' seeming indifferto them.

Buy 1, get 1½

s-Craft Industries, FORBES comted last year, was "not much of a pany but a helluva stock" *(The Streeter, Sept. 17, 1979)*. Revenues were a est $105 million and the auditors qualified its financial statements, he stock had tripled in 12 months was selling at close to 10 times earnin an 8-times market. The big reawas that Chairman Herbert Siegel, drives Chris-Craft like an investt company, had been busily buying 20th Century-Fox, and last September held 14% of the big film company. Wall Street is now looking at that asset play, although the Chris-Craft story is virtually the same. Since FORBES reported, Siegel has boosted his company's position in Fox to 20%. Mario Gabelli, a Wall Street special-situations man who follows Chris-Craft, notes that the company's big attraction is now even bigger. Last year a share of Chris-Craft carried with it 29% of a Fox share; today it brings more than 45%. Gabelli also says that Siegel has decided to exercise the option that his 20% Fox holdings give him and consolidate them on the Chris-Craft books. And Fox has just hit the box office with *The Empire Strikes Back*, the blockbuster sequel to *Star Wars*, the most profitable movie ever made.

Virgin territory

"Why do our books sell? Ask a sociologist," the president of Canada's Harlequin Enterprises Ltd. told FORBES two years ago *(Mar. 6, 1978)*. "All we know is that they strike a universal chord in all women." To Larry Heisey, a self-styled "old soap salesman from Procter & Gamble," that chord makes balance-sheet music. From a flat-footed start in 1971, Harlequin's paperback romances, passionate but unrelentingly pure tales of virgins who, in the end, find happiness in marriage, became the most profitable in the industry with 1977 aftertax profits of 15.5%, almost 5 times the mass-market-paperback world average.

Heisey's formula—192-page volumes of prose that always simmers but never, never boils—wasn't going unnoticed by his paperback rivals. A year ago Dell gussied up its Candlelight line, gave it a $500,000 ad budget and set out to woo Harlequin's panting public. Apparently it worked. The Candlelight line went from five to eight titles a month and sold 4 million books in eight months. Last November Fawcett, which had been printing "historical" romances for five years, added a Coventry imprint and stepped up new titles from three a month to six. This February the CBS subsidiary launched a $1 million advertising blitz for its relatively high-priced entry in the chastity sweepstakes—$1.75 a copy.

A Harlequin "Booktique"
New rivals in the romance business.

Heisey himself brought another formidable competitor into his chosen field in January when he canceled a distribution contract with Simon & Schuster. "We felt," he says, "that with our own single-minded sales force we could do a better job." Simon & Schuster promptly retaliated with Silhouette romances. The new line made its debut in May in supermarkets, drugstores and bookstores, backed by a $5 million budget as a dowry, $3 million of it for ads, principally TV spots featuring actor Ricardo Montalban. The new rival plans to issue 15 million Silhouette books the first year and claims the initial reception has been heartwarming, with some stores selling an entire 200-book order in a day or two.

Meanwhile Harlequin's fans seem as loyal as ever. The company (62%-owned by the Toronto *Star*) sold 168 million books in ten languages worldwide last year, and claims to have well over 10% of the U.S. paperback market. Its profit margin, though down to 11.5% from that heady high of 1977, is actually further above the industry average than it was two years ago. Sales have increased an average 52% during the last two years, earnings an average 30% annually during the same time.

So is Heisey bothered? "The competition could have some impact," he says, "but not a disruptive one." He is, however, protecting his market as fiercely as any Harlequin heroine would her honor. In January the company settled out of court a suit against MacFadden Romance Books, forcing a recall of 11 titles Harlequin claimed had been plagiarized from its line. Heisey is also on the legal warpath against Simon & Schuster with a suit in New York's U.S. District Court charging that his newest rival has deliberately copied Harlequin's book size, cover format, 192-page length and, most heinous of all, has told its sales force to put Silhouette books on Harlequin's special "Booktique" racks. Simon & Schuster says the charges have "no merit."

Heisey's confidence about the future remains unshaken. "Let time and due process have their way," he says.

Flashbacks

Items of interest from issues of FORBES of 60, 50 and 25 years ago.

Sixty years ago in FORBES

Curtis advertising head William Boyd

In 1912 the leading 57 periodicals in the U.S. carried advertising amounting to somewhat more than $29 million. The three Curtis publications, *The Saturday Evening Post*, the *Ladies Home Journal* and the *Country Gentleman*, now [1920] have an annual income of $50 million a year from advertising.

The question today is not "Has a recession in business set in?" but "How far is the recession likely to go?" It is significant that the securities markets have already undergone a rather thorough process of readjustment. Not a few stocks which were overboomed have fallen back $50 to $100 a share—American Woolen has dropped $70, Crucible Steel $90, International Mercantile Marine $40, General Motors $180 (for the old stock). Less speculative issues as well as bonds have also declined to levels where they show very generous returns on their market price. Wall Street, therefore, may be said to have discounted the coming of less riotously active times.

A fine of $1,000 has been imposed upon a profiteer for making an unlawful profit of $2,000 on potatoes. Other convicted profiteers have been let off with fines. If profiteers know that they run only the danger of being fined half the money they illegally make through their profiteering, why should they desist? Doesn't it pay to hand over $1,000 if the profit is $2,000? To obtain convictions for profiteering has been so difficult that, where guilt is clearly established, the courts should [jail] the guilty scoundrels. . . .

The success of cafeterias led to grocerterias, haberdasherias and several other retail merchandising "erias," where the patron waits on himself, and now has come the barberia. It furnishes all the conveniences of a barber's shop, only the patron does his own shaving. The barberia is only a few months old, but already it has proved a wonderful success, especially where rooming houses abound and the residents are not wealthy.

There has been so much loud bragging and browbeating by radical union leaders that a great many wage earners had come to think that they could do as they wished and enforce any demands they cared to make. Well, it is now beginning to be realized that there is a limit to what can be exacted from employers and that it is not the way of the world for anyone to . . . go on reaping more than he sows.

The announcement by [Treasury] Secretary Houston that "the completed fiscal year's operations should show little, if any, deficit, the government having about balanced its budget, current receipts against current disbursements, for the first full fiscal year after the fighting stopped," may be construed very favorably because the government has long been the heaviest [bank] borrower. . . .

Fifty years ago

This is an adaptable world. America will adapt herself to her new [Smoot-Hawley] tariff, bad though it may be. So will the rest of the world. At the moment it is a nine days' wonder. But soon something else will dominate the front pages. The ire of foreign countries will cool off. . . . It was one thing to hurl warnings of the dire action which would be taken should Washington pass the tariff; it is an entirely different thing to find feasible ways and means to hit back now that the unwelcome measure has been placed on our statute books.

Under the Hoover regime Wall Street has suffered the sharpest stock panic in the nation's history. Unemployment has attained proportions perhaps never before exceeded. The general price level has declined severely. Corporations' profits are on the wane and an embarrassing number of dividends have been reduced or stopped. Commercial failures have been unusually numerous. Banks have gone to the wall in various sections. Real estate values have tumbled. A tariff law vehemently opposed even by many industrial leaders has been accepted by him, a law which incited protests from some 33 nations that vow they will boycott American products and raise tax barriers against American goods. The spi enterprise has been so crushed that ey is unlendable day to day in Wall even at 2½%.

At the last municipal election in York City the Democratic (Tam ticket was reelected to office by an a unprecedented plurality. The vot generally interpreted as a "vote of dence." In view of what has hap since the election, it is evident that of the grateful politicians regarded vote of "con"fidence. Millions of d have been mulcted from a patien apathetic public. Several judges and istrates have resigned as a result of r tions of wholesale graft and corrupt Borough President is in jail, and a L Commissioner has been sentenc prison for refusing to name "higher with whom he shared. . . .

Rates on the transcontinental railroute of T.A.T.-Maddux Air Line increased to 7 cents a mile, effective 15. The old rates of 5½ and 6 ce mile, depending upon whether a pa was booked over a portion of the ro over the entire system, were w rates, necessary because of the slu traffic during the poor flying season cials stated. Also low rates were eff to stimulate air passenger travel.

Twenty-five years ago

The confidence shown by the cons in his willingness to spend, and the fidence shown by the businessman programming of record capital imp ments are basic influences upon th sic level of stock prices. How hig how far such prices can go are pere questions during this prolonged bull ket. On a statistical basis, earning the stocks included in the Dow industrial average were about $32 i first quarter. At this rate, the DJ ind als were recently selling at a little ov times earnings. At the 1946 peak, ratio was more than 20 times earni

Swimming pools have become a geoning U.S. industry with sales est ed at $160 million this year, up from 1954. While commercial, muni and club pools account for a large sl the business, almost half of the 3 pools in the country are priv owned. . . . Sizable home pools are being built for around $3,000, com with recirculation equipment.

Its beer sales lagging, Anheuser-B President August A. Busch has pe ally assumed the brewery's top post, plans a grueling series of visi meet 900 Budweiser, Michelob Busch Lager distributors this sum

Copier technology this advanced
ıs consistently made Savin the
ıe to catch up with.
And that's not a trend we're ready
reverse.
**The Savin 870. A virtually all
ectronic Savin.** With an electronic
gital control panel, and a Copy
emory, both controlled by Savin's
'st built-in microprocessor.
Electronic self-diagnostic display
for improved serviceability.
Electronic selection of letter,
legal, even computer readout size
paper. From two newly designed
300-sheet trays.
Electronic brain to make superior copies from inferior originals.
Copying speed: 30 a minute.
First copy time: an amazing
4.3 seconds.
**What's not electronic is still
ahead of its time.** All virtual Savin
trademarks. Short paper path and
liquid toner technology, for incredible reliability. Automatic shut-off to
save energy.
If you'd like a copier like this,
call 914-769-8805, Monday through
Friday, 9:00 am to 5:00 pm.

savin

The revolutionary copiers that are winning over big business.

avin and Savin logotype are registered trademarks of Savin Corporation. ®Xerox is a registered trademark of Xerox Corporation. © 1980 Savin Corporation, Valhalla, N.Y. 10595.

Hollywood, meet Riyadh

SIR: Gert von der Linde, chief economist of Donaldson, Lufkin & Jenrette, recently pointed out that *Star Wars* was not the biggest money-making movie.

Star Wars took in $400 million. *Death of a Princess* caused the Saudis to raise the price of oil by $2 per barrel, retroactive to Apr. 1. That's $133 million per week. More than six weeks = $800 million.

—Ray Yaweh
New York, N.Y.

Unforgivable

SIR: Whatever anyone may think about President Carter, the one thing that is unforgivable is that he and Secretary Brown allowed this country's defenses to deteriorate so dangerously. You said it all in your editorials, but it should be said again and again, until the public fully realizes the magnitude and seriousness of the blunder and how ineffectively it is being corrected.

—Irvine H. Page
Hyannis Port, Mass.

Defense myopia

SIR: Re your interview with Edward Luttwak ("A critical view of the U.S. military establishment," *May 26*). Only the cold harsh light of such analytical reporting can cure the myopia which afflicts our leadership from the President to the Pentagon.

—Robert W. Kostelka
Monroe, La

SIR: My only regret is that Luttwak teaches at Georgetown and not West Point.

—Donald M. Sabia
Haddonfield, N.J.

Will achieve goals

SIR: Re "If Ashland Oil is Even Halfway Right" *(Fact and Comment, May 26)*. We expect to live up to our forecasts and your expectations.

—Orin E. Atkins
Chairman and CEO,
Ashland Oil
Ashland, Ky

Solar shining

SIR: Your article "New rain on coal's parade" *(Apr. 14)* tossed off a line about "the constant receding of the will-o'-the-wisp of solar power." The solar industry seems to be finding its stride. Architects and builders are turning toward the sun in unprecedented numbers, and they are finding a ready and enthusiastic market for their solar products. There may be new rain on coal's parade, but the sun is smiling benevolently on its own.

—Denis Hayes
Director,
Solar Energy Research Institute
Golden, Colo

Not so different?

SIR: Re Andrew Tobias' indictment of Bear, Stearns and the secondary offering techniques *(Apr. 28)*. This technique for institutions to sell large positions of illiquid listed and o-t-c stocks is employed by some of the highest-quality trust banks, insurance companies, mutual funds and money managers in the U.S. The observation that the public is induced to buy these offerings by brokers who are working for high levels of compensation is no different from the capital-raising function in public offerings. The aftermarket performance would not be materially different from many other public offerings done by other managing underwriters.

—James M. Stewart
Managing Director,
Morgan Stanley & Co.
New York, N.Y.

Real charge

SIR: Re the matter of "house calls" for Dr. Opas Jutabba in Sigourney, Iowa to your home in New Jersey *(Readers Say, May 26)*. The round-trip charge is $981.00, as the doctor also has to return home. I am happy that you are not the IRS man examining his return.

—John W. Sivertsen
Austin, Tex

Not stereotypes

SIR: To find an editorial in an important magazine like yours written from a motorcyclist's point of view ("In the Name of Goodness, an Insidious Resolution," *Fact and Comment, May 26*) was unbelievably heartwarming. Legislators should realize that all who ride motorcycles are not jobless, criminal types.

—Arthur D. Owens
Houston, Tex.

SIR: After a long day fighting in the trenches for my company, my product, myself (yes, I'm a salesman), there's nothing better than climbing on my torcycle for a run through the cou The sense of freedom is incompar To accede to congressmen who de stereotype is ridiculous.

—Jesse C. O'Neal
Winston Salem, N.C.

State, not city

SIR: Your May 26 article "Man bond" made reference to the "Minne lis Zoo" and a "Minneapolis Zoo bo in discussing the Minnesota legislat denial of funds to pay debt service on monorail bonds.

The zoo is not a City of Minnea enterprise but a Minnesota State based in Apple Valley, Minn.; it is erned by the Minnesota Zoological B rather than a Minneapolis Zoo board

—Mary DesRoches
Minneapolis Comptroller-Treasurer,
Minneapolis, Minn.

Pillow puffers

SIR: Re your comment about stew esses, "Remember When Stewarde Were (and Had) Figures" *(Fact and C ment, May 26)*. You better come d to Dallas and get on Southwest lines. If they won't puff your pillow one will.

—Tim Culver
Dallas, Tex

We pay a dividend

SIR: In the May 12 Annual Direc issue, General Instrument is liste having no dividend. Since August 1 General Instrument has paid a cash dend on common stock. Currently annual dividend is 80 cents per share

—Frank G. Hickey
Chairman and Chief Executive,
General Instrument Corp
New York, N.Y.

Stocks and wives

SIR: Re "Today's Sad Tale of What's F pened to Bonds" *(Fact and Comment, 26)*. Your dad in 1929 Cities Ser bonds. My dad in 1903 railroad bonds I have said many times in the past: " not know of anything man does with investigation than buying stocks bonds, unless it be picking a wife."

—Neal Grootegood
Mineola, N.Y.

IEN TWENTIETH CENTURY-FOX RELEASED STAR WARS, ST OF BOSTON GOT RAVE REVIEWS.

The excitement surrounding Star Wars wasn't simply that it was the biggest box office hit in history. The movie was also a smash with investors. And that created a unique challenge for First of Boston's Stock Transfer Department.

Twentieth Century-Fox was already among our most active clients. But now the trading activity was unprecedented – up almost 1000% overnight. That would have strained a transfer agent not prepared for it.

But we were prepared. As one of the largest stock transfer agents in the nation, our system responded to the tremendous load without a hitch. And we were also able to design and issue *two* special dividend payments on short notice.

There are times when great success can present surprising problems. Not for us. We helped Twentieth Century-Fox really shine. That's what we did for them. Now, what can we do for you? To find out, call Dan Fahey, Vice President, at (617) 929-6573.
(Outside area code 617, call 1-800-225-9934, toll free.)

FIRST of BOSTON 1784
THE FIRST NATIONAL BANK OF BOSTON

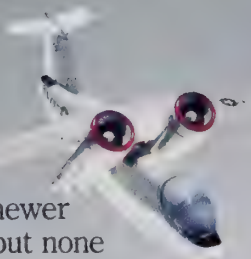
WE'VE DONE IT. WE CAN DO IT FOR YOU.

ONLY THE F-14 CAN TAKE O
AND COME AWAY A WINNE

F-14s are on duty with
fleet in the Indian Ocean an
other critical areas. That's g
to know, because the F-14 i
the only fighter in the world
equipped with Phoenix miss
to knock out any six threats
simultaneously.

It's the only plane in th
world that can defeat fighte
bombers and even cruise m
siles from launch ranges as
away as 110 miles. At altitud

X OF THE BEST, SIX AT A TIME, OW THAT'S AIR SUPERIORITY!



treetop
to over
0 feet.
There are newer
rs around but none
ugh as the F-14. That's
Grumman will be building
lane for years to come.

TER AIRCRAFT THAT WILL OFF AND LAND VERTICALLY.

Grumman has flown scale
ls of a uniquely simple ver-
ake-off and landing aircraft.
-scale model, utilizing off-
helf engines, is being tested
Navy/NASA wind tunnel.

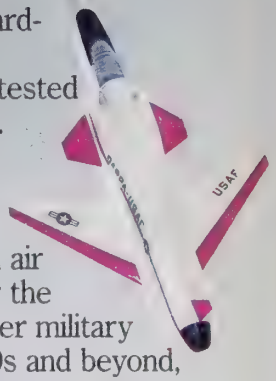
By the 1990s our smaller, lighter VSTOLs could serve as the eyes and ears of the fleet, operating off the decks of surface combatants and other ships too small for conventional aircraft.

A FORWARD-SWEPT-WING FIGHTER THAT WILL OUTPERFORM ALL THE REST.

Imagine an aircraft with wings swept forward instead of back. That cruises at twice the speed of sound without fuel-hungry afterburners. A plane that is more efficient than anything in the air today.

By the late 1990s, fighters like these may be a reality.

They'll use a forward-swept-wing design like the one being tested at Grumman today.



If you'd like to know more about the fighter that gives America air superiority all over the world, and our other military aircraft of the 1990s and beyond, write Grumman Corporation, Dept. GCP, Bethpage, New York 11714.

GRUMMAN

50 years

INTRODUCING: ROVER

MORE THAN JUST A BEAUTIFUL CAR.

"...for the enthusiast driver whose needs dictate a 4-door family sedan, but whose heart is steeped in the joy of exciting performance and crisp handling, the Rover 3500 is like a dream come true."

ROAD & TRACK, APRIL 1980

From the first one-cylinder Rover of 1904, to the world's first gas-turbine car, to the legendary Land Rover, Rovers have been strong, distinctive and innovative machines.

The beautiful new Rover 3500 is no exception: it is much more than just a beautiful car.

It is, above all, a superb road car. The Rover's reflexes are quick. It has rack and pinion steering, a five-speed manual (or optional automatic) transmission linked to an aluminum fuel-injected 3.5 liter V8 and decisive disc/drum brakes. The Rover handles with the agility of a sports car. Yet handling and response are only two of the many highly desirable Rover virtues.

Underneath its sleek aerodynamic shell, the Rover is a roomy, very comfortable four-door sedan designed with a rich assortment of thoughtful features. There are: air conditioning, stereo AM/FM radio with station-seeking tuner and cassette, cruise control, power windows and door-locks—all as standa equipment.

When you fold down the rear sea and lift up the big, wide Rover hat back, suddenly this remarkable c turns into a wagon. You get a lor wide, flat expanse of carpeted loa space that measures a surprising 74 inches long by 46.6 inches wide.

Maybe it's time you discovered ho beautiful a beautiful car can b Maybe it's time you drove the rema able Rover 3500. For the name of th dealer nearest you, call these nu bers toll-free: (800) 447-4700, or, Illinois, (800) 322-4400.

© Jaguar Rover Triumph Inc. Leonia, N.J. 076

Fact and Comment

By Malcolm S. Forbes, Editor-in-Chief

HAS ANYBODY SEEN

Carter's Energy Mobilization Board?

JUST BECAUSE OUR FUEL TANKS AT THE MOMENT

ıll, the usual coterie of voiceful dumbbells are again in full gin nuclear power plants; agin a gung-ho synthetics fuel ram, agin, agin, agin.

e way they throw up problems about the cost of alternate gy sources and about exasperatingly exaggerated possible ronmental harm is enough to make sane people throw up.

n't they understand how internal politics could overnight n half, for instance, Saudi oil output? Don't they under- l that this alone could bring the whole of the U.S., West- urope and Japan to precipitous economic halt in a matter eeks?

hat's with these people who don't comprehend that the Free World's survival depends on the swiftness with which we develop substitutes as well as supplements for OPEC oil? . . . that with every percentage point of additional new energy (and with every appreciable addition to our military hardware) we minimize the chances for Kremlin miscalculation? . . . that the sooner we're independent the sooner we'll be able to tell the Khomeinis and Qaddafis and Castros to take a flying leap?

Incidentally, 'tis heartening to know that the Swedes, by a convincing majority, have voted to proceed with the doubling of their nuclear energy plants. This vote has bucked up the realists in other Western countries over the misplaced passion of the Greenies.

CONGRESS MAY ENABLE THE CIA

again to perform its mission. A Senate committee has l to cut from eight to two the congressional committees led to receive "top secret" reports on the intelligence cy's activities.

nator John Chafee (R–R.I.) proposed making it a crime isclose the identity of our intelligence agents and sources, but the motion was defeated in committee. It's hard to believe, isn't it, that such action doesn't presently constitute a crime—though it has already cost the lives of those abroad helping to keep this country's President and Defense Department posted on the activities of our enemies overseas.

WHILE WE DEBATE ABOUT UNSHACKLING THE CIA

oviet Union's unfettered KGB unceasingly develops and its crises throughout the Free World and the Third World. is Administration can't get this Congress to take the cuffs and the blindfolds off our limping and now limp intelligence operation, a new one and the new Congress will rightly give it a high priority.

It's bad enough to be weak without adding self-inflicted blindness to our international problems.

TWO PIECES OF GOOD ARMAMENT NEWS

at $34 billion piece of 3,000-mile, MX missile racetrack ense may get the ax. And the $5 billion cruise-missile ract has been let to knowhow Boeing.

e Russians are so upset about the cruise missile's possibilities that they're estimating any sort of defense against it could cost them at least $100 billion worth of rubles.

It's nice to have the monetary military shoe pinch the other guy's foot for a change.

ONE WONDERS HOW GENERAL DYNAMICS IS FEELING

days. One week they lose out to Boeing in the competi- for the $5 billion cruise-missile contract when their proto- doesn't measure up in performance to Boeing's; and two weeks later their F-16 loses out on the $2.4 billion Canadian order for fighters to McDonnell Douglas' F-18.

Generally, not too dynamic.

WHY PANHANDLE EASTERN OR ANYONE ELSE

would be surprised if Algeria, with arbitrary suddenness *(see p. 62)*, skyrockets the price of its natural gas, flabbergasts me.

When Panhandle Eastern Pipe Line and other American companies were making the necessary huge commitments to liquefy and ship natural gas as a substitute for, supplement to, our OPEC oil imports, anyone and everyone observed that every oil exporter (including Canada and Mexico) could an doubt would do unto the price of its natural gas what had b done to the price of oil.

Substituting (or adding) one energy hostage for anothe the likes of Algeria & Company doesn't move us one i further toward vital U.S. energy independence. Rather, reverse.

ONE STARK THOUGHT AND ONE HEARTENING ONE

At lunch here the other day with the clearheaded, toughly able head of a huge energy-related international construction firm, he made these observations:

"Russia soon will go from being an exporter of a million barrels of oil daily to an importer of the same amount. There's no way they can get sufficient hard currency to pay the bill, and without our technological aid it'll be a decade before they can bring on stream the known Siberian pools.

"When their oil crunch comes, which will be soon, do you think the Russians will have any scruples about taking over control directly or indirectly of one or more of the neighboring Middle East countries that have such huge developed oilfi ready at hand?"

His second observation concerned the prevailing but warranted apprehension in this country over the problen atomic waste disposal—"Maybe the atomic regulatory age and the Congress should visit the Valley of the Tombs of Kings in Egypt where they can view these deep royal to that have been geologically undisturbed for 4,000 years. have the same strata in many parts of the U.S. where ato wastes can be buried with equal safety for countless th sands of years."

IF THE NATIONAL PARK, FOREST AND WILDERNESS BANners

had their way, this Korean vehicle would be about the only transportation permitted. If you were riding inside, I guess it wouldn't be too bad at that.

BOOKS

The Great Free Enterprise Gambit—by James Baar (Houghton Mifflin Co., $8.95). As befits a corporate (International Coagulants) satire, every hatcheted and hatcheting boardroom conniver dresses in, lives surrounded by and uses only the choicest brand-name stuff. For author James Baar, advertising agency biggie, one can only hope his clients don't identify as role models in this souped-up savaging.

Excerpt: *When Ward stepped out of the elevator at his floor Jocko Burr was waiting for him. Jocko sat half buried in one of the large upholstered chairs. He was turning the pages of a four-year-old copy of* Fortune. *His face appeared more pallid than an hour earlier. "These are pretty old magazines," he said. "You must read slowly."*

"Most of my visitors live in the past," Ward said. "They find the magazine a comfort. Come in."

Bruce Catton's America—edited by Oliver Jensen (American Heritage Publishing Co., $17.50). For those who've not read the unequaled Bruce Catton Civil War books, this volume of selections by another superb historian and editor, Oliver Jensen, is a moving treasure.

Excerpt: *Desertion was no longer being treated as a mi fault. . . . First came a band playing the "Funeral Marc After, four soldiers carrying a black coffin, followed b deserter, another coffin, followed by another prisoner— deserters in all, each preceded by his coffin. A coffin was pu the ground before each grave, and each prisoner sat on the of his coffin. A firing squad of 12 men took post facing e prisoner. The great silence was broken by [an officer's] t cry: "Ready—aim—*fire!*" And the thing was done, five ble ing bodies lay across the coffins, and the band piped u quickstep while the soldiers marched off the field.*

Quick & Reilly, Inc. The first and largest NYSE member firm offering all customers commission savings up to 70% SIPC
MEMBERS NEW YORK STOCK EXCHANGE
Where More Than 75,000 Investors Have Come To Save Money

Now Open in
STAMFORD, CONN.

Ridgeway Shopping Center · 26 Sixth St., Stamford, Conn. 06905
203-356-9977 · Inside Conn. 800-942-7527

To receive everything you need to open an account, along with our commission savings schedule, please call us or visit our office.
For the telephone number and the address of other Quick & Reilly offices call 800 221 5220

NEW YORK • ALBANY • ROCHESTER • BOSTON • PROVIDENCE • HARTFORD • STAMFORD
PHILADELPHIA • PITTSBURGH • BALTIMORE • WASHINGTON • McLEAN, VA • NORFOLK
ATLANTA • ST. PETERSBURG • ORLANDO • FORT LAUDERDALE • PALM BEACH • MIAMI

How Much Are You REALLY Saving On Commissions? Compare!
Trade with this Strongly Capitalized 10 Year NYSE Member

Limit Orders	500 at $35	700 at $50	1 000 at $40
ICAHN & CO.	**$100**	**$105**	**$150**
Quick & Reilly	$169	$261	$275
Fidelity	$107	$160	$180
Source*	$126	$166	$195

No Initial Cash Deposit
Safety: Securities held in your account protected up to **$500,000**
Personalized Advice On How To Increase Return On Free Credit Balances
Commission can be lower depending on annual trading volume

ICAHN & CO. INC.
Member New York Stock Exchange
153 North County Road Palm Beach Fla. 33480
25 Broadway N.Y.C. 10004
No Fees or advance commissions charged on this or any other account
No fees or advance commissions
(305)833-3783 1-800-432-2047/8 (212) 483-0092 (800) 221-4941

ONE ADVERTISEMENT KNOCKS THE OTHER STONE COLD DEAD IN THE MARKETPLACE

If you were Quick or Reilly, wouldn't you be tempted to pay *not* to have your discount brokerage house message run right next to this haymaker by Icahn & Co.? More than once, though, these have appeared together in the *Wall Street Journal.*

As advertising goes, bloody murder I'd say.

MORE AND MORE THE YOUNG

no longer think that real fulfillment
is not having to fulfill any expectations.

IT ISN'T ALWAYS ADVANTAGEOUS

to deprive one's children
of disadvantages.

THE PARADOXICAL POUND

By M.S. Forbes Jr.

LONDON—This has become a very pensive city for the tourist, thanks the surging pound. Sterling's stunng performance on the currency arkets is a surprise, to say the least. has little to do with fundamentals. Significant revenues from North a oil are two to three years away. In e meantime, the balance of payents remains mired in red ink. Britn's inflation is the worst in the estern industrial world. A weak onomy gets weaker as recession ts in.

Because of such shortcomings, any "experts," including this one, lt it was only a matter of time before erling underwent a rather sharp fall.

This writer isn't so sure anymore. fter interviews with British Treary officials, businessmen, politicos d economists, one gets the distinct npression that this government eans exactly what it says when it mes to monetary policy: It is going fight inflation in its own way alost regardless of pain and criticism. itain has become Milton Friedan's laboratory.

"There is no alternative to a monerist policy in fighting inflation," nancellor of the Exchequer Sir Geofey Howe told us. "If you look at the ing in any measured long-term patrn, the connection between monery growth and inflation is unassaille. So you must stop that growth and control the monetary aggregates."

"Controlling the aggregates" means higher taxes, higher interest rates and tighter credit, at least initially. Given British business' heavy dependence on debt, profit margins are being squeezed. High interest rates are attracting foreign money, and the resulting strong pound hurts exports, no small matter for this trading nation.

"There is no way in which you can recapture a framework of discipline that doesn't involve discomfort," is how Chancellor Howe responds to criticism from business. "The private sector cannot be spared."

Thanks to Howe's credit squeeze and Britain's slowing economy, interest rates should be lower by year's end. That doesn't necessarily mean a wobbly pound, however. Interest rates should be down in most other countries as well. Moreover, as one official put it: "The markets will see us hitting our monetary targets, that we mean what we say about inflation. We will start to gain credibility, like the Germans and Swiss."

The British economy is paying a heavy price for this brand of monetarism, but the government is not about to abandon it.

Don't bet against the pound.

PEOPLE ALSO NEED INCENTIVES

Few nations can match Britain when it comes to tax incentives for capital spending, one reason why the U.K. is attracting more foreign investment, especially in Scotland.

Which leads to an obvious question: Why is capital spending by *British* business so low? In real terms corporate spending is no better than it was ten years ago.

We asked that question of a prominent businessman-politician. His response: "An important factor is certainly incentive. Why should executives bother to work long hours, to take additional risk and responsibility if they are taxed at rates which are very high indeed?

"If you succeed, you are only going to be marginally better off."

Given the tax structure, it really doesn't pay to pay people cash. No wonder perks such as company-paid cars, low interest loans and leased suits are so important in Britain.

And no wonder so many younger executives have emigrated.

The Conservative government last year began reducing the U.K.'s draconian income taxes, but there is still plenty of room for futher cuts. Here's a classic case where reductions in high tax rates (which have led to a disturbing growth in tax evasion) would quickly pay for themselves, a point not sufficiently appreciated by England's economic gurus.

Britain's income tax system, like so many others in the world today, has lost sight of the essential link between effort and reward.

Other Comments

Often comments by others stimulate, irritate, abuse or amuse this editor's mind.–MSF

A Contract's a Contract

After crashing all the way to the Supreme Court, the case of Frank W. Snepp III has finally been brought to rest. Mr. Snepp is an ex-CIA agent. When he first went to work for the agency, he, like other employees, signed a contract promising not to publish CIA secrets without prior approval. But then he quit his job, wrote an unauthorized CIA book full of juicy inside tidbits, earned some $125,000 out of the project, and claimed that his original contract was of no account because it violated his First Amendment rights. But now the Supreme Court has ruled in his case that if you actually sign up to be a secret agent for a secret agency and specifically sign a contract to keep the secrets secret, you can't just decide to spill the beans, make yourself a tidy pile, and then claim infringement of rights when the government gets miffed.

—*Wall Street Journal*

Don't Denigrate the Two Party System

John Anderson: "This whole discussion has been dragged into a defense of the two party system. When I see all of the trouble that the Italians and some of our other European friends have in forming a government, I am darned glad we have a two party system in this country."

Eugene McCarthy: "Oh, John."

John Anderson: "And as much as I cherish your right to a platform as an independent candidate, I am not going to sit here quietly and listen to you denigrate the two party system. It has served our country well over the last 200 years."

—at a 1976 forum of the American Enterprise Institute

Strange Vision

. . . As the bullets whined about his ears [General Ulysses Grant] gave way, suddenly, to a desperate thought of home: What would become of Julia and the children, if he should be killed here? For a moment the thought possessed him with power, and far away in their home in Galena, Julia Grant, going to her bedroom to rest after some household task or other, suddenly saw a distinct but mysterious vision: Grant mounted and in the field, gazing at her with a peculiar intensity. When they met a few days later, they found that this odd experience had come to her at the moment when Grant, all alone on his horse, was the target for concentrated rifle fire, and was thinking of his wife and children; and they both felt that it was the depth of his feeling that projected this strange vision into the house in Galena.

—Bruce Catton, *America*

Taxes on Nonexistent Earnings

Capital formation and world trade are obviously not unrelated. It is precisely those economies with the highest rates of capital formation which have most penetrated our markets and displaced us from others. . . . Because of inflation corporations are paying taxes on nonexistent earnings and paying dividends on nonexistent profits. No wonder the securities market languishes. (And so, in consequence, do the pension funds of 39 million Americans.) I am introducing a bill to provide replacement cost accounting.

—Senator Daniel P. Moynihan (D–N.Y.) at the Columbia Business School Annual Dinner, May 1980

Tears for Bozo

The growth rate in cremations has been strongest among upper middle-income, college educated people, a pattern that prompted one Detroit undertaker, Richard P. McLaughlin, to remark: "The poor pay more attention to the dead than the rich."

"We have families in which a grandparent dies off in some distant retirement city and there are no tears, no commemoration, no flowers," said Robert Fulton, director of the Center for Death Education and Research at the University of Minnesota. "Yet, whe family pet dies, the family goes bon We've got a peculiar phenomeno over the United States that ther more and more pet cemeteries goi all the time while the traditional fu is on the decline; I think there's a nection to it."

—Robert Lindsey, *New York T*

The tradition of preser traditions became a tradit

—Jonathan Gathorne-H

The Old Schoo

104 Years Ago

The day began with a noon rendez in the new Grand Central depot at Street. This was the first time I had inside Commodore Vanderbilt's m ment to a lifetime of triumphant ra ity; yet it must be said in the old vill favor that before he managed thr theft, violence and fraud to put tog his railroad empire, a passenger New York City to Chicago was ob to change trains 17 times durin course of the journey. Now, thanl Vanderbilt's ruthless elimination o rivals, the public is better served.

—*1876*, by Gore

Coincidence

Q: *When you buy a chunk of Parmesan cheese for grating, the actually looks dirty. Can you me why?*

A: Because it is, indeed, dirty. Parmesan enters the final months o aging process; it is rubbed down dirt.

—by Frank Don *Signature* mag

"He's worth a fortune, but it's all on parchment."

Edgcomb truck is loaded with metals processed to customers' exact specifications.

Williams is strengthening its metals business today. . . o improve tomorrow's returns.

Edgcomb Metals Company, a Williams subsidiary, is the largest independent owner and perator of metals service centers in the United States. Williams has dramatically increased e scope of Edgcomb's operations during the past five years. Revenues generated from 19 odern Edgcomb service centers totaled $591 million in 1979 compared to $127 million hen it had 7 facilities in 1975. Edgcomb's marketing territory has increased from 12 to 37 ates during this period. Its customer base has been broadened substantially, and it has creasingly realized economies of scale, better market penetration and other benefits as a sult of its aggressive expansion and improvements program.

Edgcomb serves a growing market. The larger metals service center companies, such Edgcomb, expect to gain greater market share in their industry during 1980. Because of broad lines of products and processing capabilities, the efficiencies Edgcomb offers etals users is even more apparent during a period of inflation and high interest rates.

Williams is more than a metals company. It is a leader in fertilizer and energy as well. e've also strengthened these businesses and achieved a more favorable overall corpo- te balance. Our strategy is paying off in the form of improved returns, as reflected by the cent increase in our annual dividend rate.

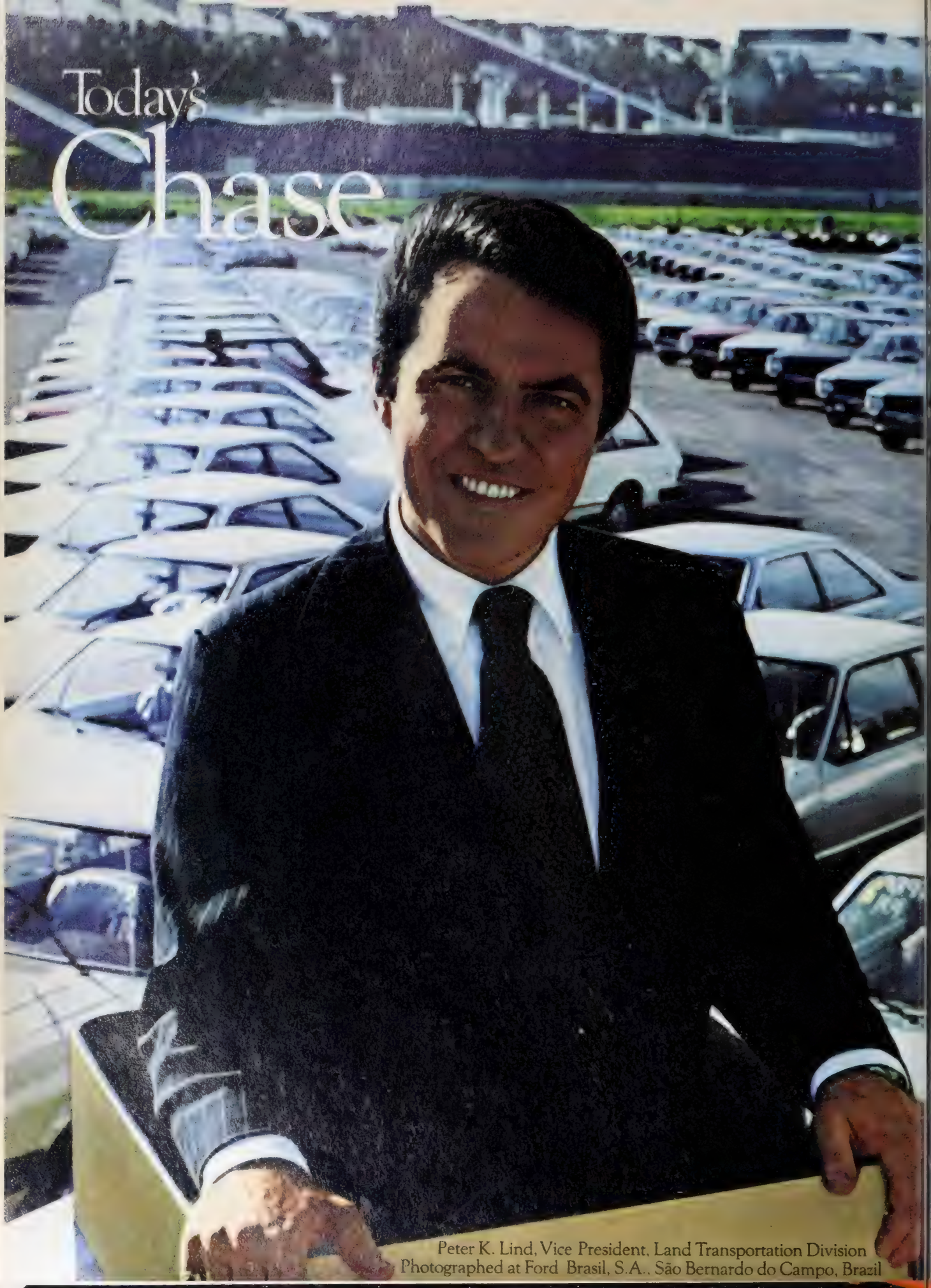
To learn more about Williams (WMB-NYSE), our balanced diversity and our strong rnings picture for the '80s, write Lawrence R. Francisco, manager-investor relations, The illiams Companies, One Williams Center, Tulsa, OK 74172.

Williams is worth watching in the '80s.

THE FERTILIZER, ENERGY AND METALS COMPANY

Agrico Chemical Company ■ Edgcomb Metals Company
Williams Exploration Company ■ Williams Pipe Line Company

WILLIAMS



Peter K. Lind, Vice President, Land Transportation Division
Photographed at Ford Brasil, S.A., São Bernardo do Campo, Brazil

"When a multinational needs financing, a bank can't spend time spinning its wheels."

"It's up to us to understand the needs of our customers in every place they operate. That way, as subtle changes occur in a market like Brazil, we know what's happening and how it might affect you."

"A while back, we had customers with loan maturities and, due to government regulations, there was limited availability of cruzeiros. Understanding that marketplace enabled us to work with our local people to meet the need."

"As a Chase banker you constantly have to perform for your clients. There's no such thing as coasting when it comes to marshalling the bank's resources worldwide, wherever the country."

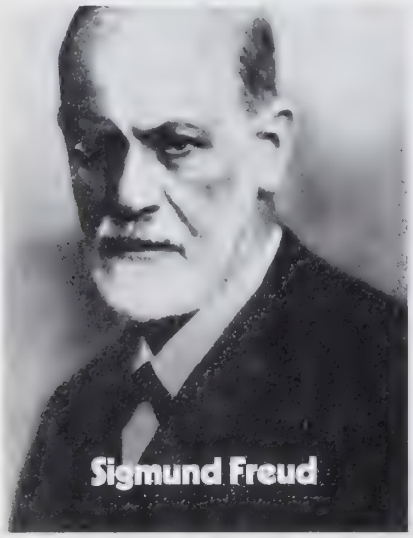
"Chase has to be as flexible as you are. And that means adjusting effectively and quickly no matter what environment you're working within."

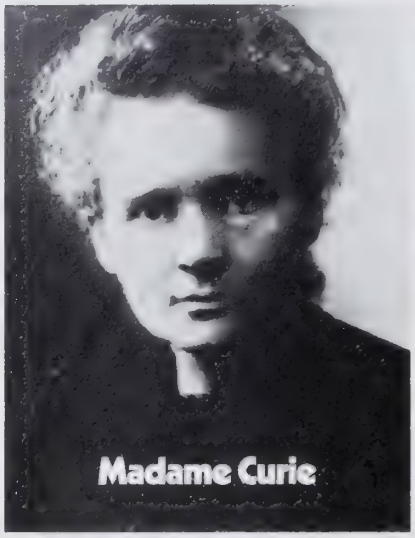
The Chase Bank

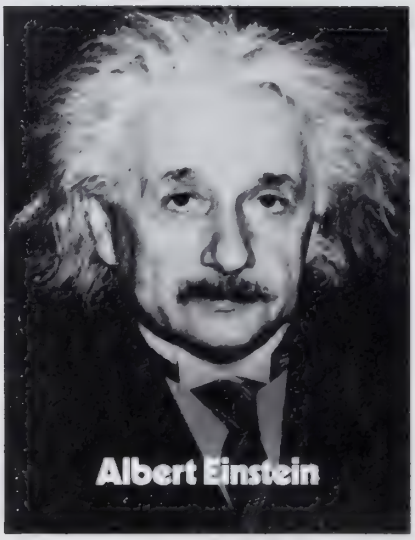
Professional relationship banking
in over 100 countries through a mature network
of branches and affiliates.

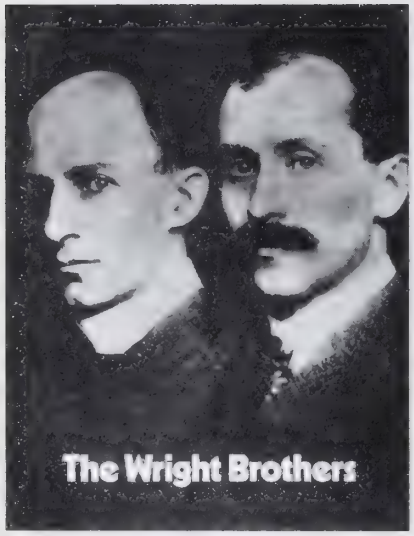
© CHASE MANHATTAN BANK, N.A. 1980 / MEMBER FDIC

Great problem solvers of the 20th century.

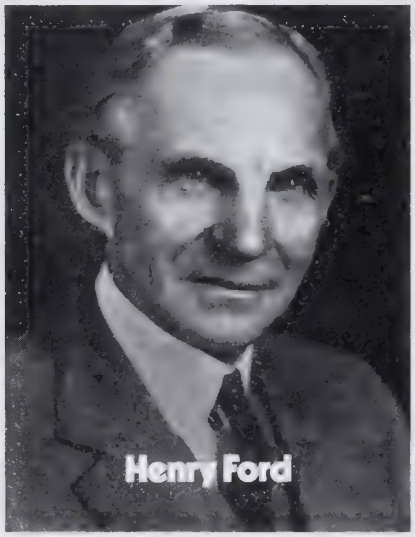


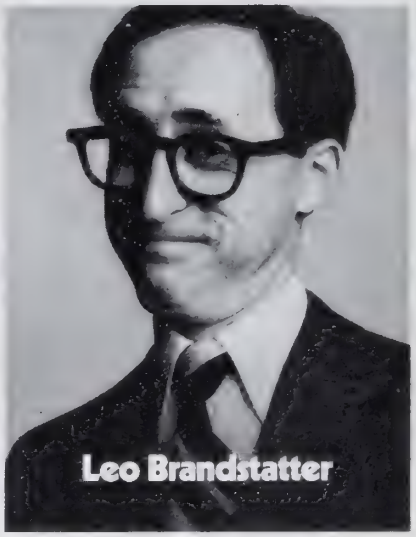






The Bettmann Archive





First there was Freud.

Then Madame Curie.

Then Einstein, the Wright brothers, Henry Ford and Leo Brandstatter.

Leo Brandstatter?

Like all AIG risk management account executives, he's doing for his profession what other greats have done for theirs.

Solving problems that many would consider unsolvable.

Like setting up note programs to improve cash flow where there is none.

Using captive reinsurance facilities in developing plans to minimize your income tax.

And making financial protection affordable at a time when everything else isn't.

AIG has one of the most experienced risk management services anywhere.

In fact, our people have solved problems that others don't even know exist.

That's important for you to know.

Because when it comes to solving problems, a company that's still gaining experience could leave you with a bad experience.

Which is why the world will always remember the contributions of Freud, Einstein and Brandstatter.

AIG Risk Management.

The AIG Companies.

Let us take the risks.

For more information, contact AIG Risk Management, Dept. A, 70 Pine Street, New York, N.Y. 10005. A Member Company of American International Group.

think the prime rate is dropping fast? It's dropping nearly as fast as it should.

What went up comes down—but slowly

By Thomas C. O'Donnell

ECOND-QUARTER BANK EARNINGS will knock your socks off," prom-ses Richard T. Hale, an analyst Alex. Brown & Sons. The nation's are taking a calculated gamble: By g the prime lending rate artificial-n they are betting that wide profit ns will offset business driven else-by the rate. So far the gamble has nore profitable than an Atlantic asino. While the prime rate has d from 20% to 14% since early demand for loans is so slack that cline should have been faster still. le earnings will swing widely from o bank—depending primarily on oan and security portfolios are af-by interest-rate changes—the in-'s second-quarter profits will be up y 15% from last year. And some will have a spectacular quarter. Manhattan, for example, could much as it did in all of 1976. That close to $4 a share for the quarter; ized, something like $15 a share. y expects Chase to do that well for l year. But you get the idea.

risingly, the "managed" prime not a very hot political potato. "If nks had tried to get away with this years ago, the regulators would it them over the head with heavy points out Hale. This time l, Federal Reserve officials are qui-onceding that they can detect no ects" from the managed prime or netimes ferocious, under-the-table price-cutting it has spawned.

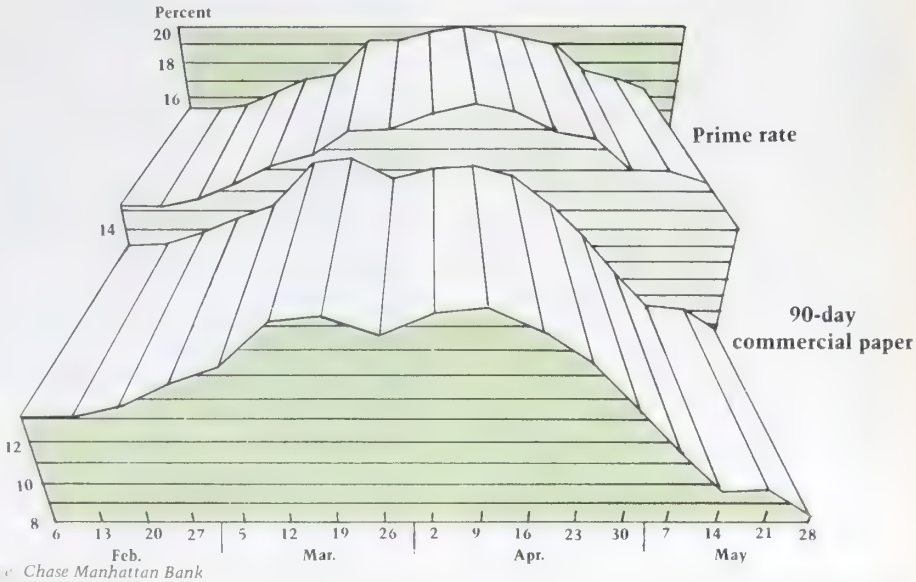
Simply put, the Fed is well aware that the prime has lost both importance and predictability. As recently as a decade ago, all interest rates moved in tandem with the prime if they moved at all. Indeed, the entire structure of interest rates was then far more stable. And as the prime has become more volatile, it has lost its position as the sole floor from which all other rates are scaled upward. Most short rates have fallen more than 50% since early April. By contrast, the prime has dropped only about 30%.

The nation's investment markets have been very slow to grasp this fundamental change. The same day the nation's biggest banks, Bank of America and Citibank, slashed their primes by two percentage points to 14.5%, the Dow Jones industrial average soared by more than 11 points to a two-month high. "The Street believes that a falling prime will bring on the long-awaited bull market," says Robert H. Stovall, first vice president of Dean Witter Reynolds, Inc. But basing investment decisions on movements of the prime is very risky and becoming more so all the time. This was proven a few days later when the Dow average plunged by more than 14 points.

The prime has become an unreliable barometer for one big reason: the banks' biggest and best customers, blue chip corporations, are relying on other funding sources, primarily foreign banks, commercial paper and, more recently, the revived bond market.

Prime deception

Sharp as the drop in the prime interest rate has been in recent weeks, other rates have dropped even more sharply. The "sticky" prime has been good for bank profits despite a fall-off in volume, but it can't stay sticky much longer.



Source: Chase Manhattan Bank

Foreign banks have prompted U.S. banks to offer corporations the "all-in-rate" pricing system used in Europe and the Far East. Under this system, banks price loans on a very thin spread over the London interbank-offered rate, instead of lending at prime plus compensating balances. Corporations can choose either system, but increasingly they are signing up for the far simpler LIBOR pricing.

The booming commercial paper market has also undercut the prime's importance. In the past 18 months, the amount of such paper—corporate IOUs—outstanding has grown by 50%, to $130 billion. In normal times, a blue chip borrower can obtain money by bypassing the banks and dealing with other corporations at rates up to 200 basis points below prime. Today that spread is more than 400 basis points because the prime has been far "stickier" than other rates.

Bankers desperately want to keep the prime rate there—at least officially. More than 50% of all outstanding business loans are at floating rates tied to the prime. Sharp reduction in the prime could decimate those rosy second-quarter earnings projections.

At the same time, the banks—especially the biggest—are making new loans at rates up to 6% below prime to attract new business or keep old customers happy. Indeed, according to an unpublished Fed study, more than two-thirds of all loans made in 1980 by large New York banks were at rates well below prime. But the days of the two-tier pricing system may be numbered. Pressures, which may force the prime down sharply in coming weeks, are rapidly building.

For one thing, Representative Henry S. Reuss (D–Wis.), chairman of the House Banking Committee, recently attacked "prime-rate falsies fashioned by the major banks that would shame the nation's brassiere industry." Reuss charged that the "falsie" prime rate discriminates against small business, farmers, home builders and others.

But far greater pressure is coming from the marketplace. In the six weeks ended May 14, business loans at the na major banks dropped more than $4 lion, to $153.4 billion—against a billion gain in the similar 1979 p "Banks may have been slower than fied in dropping the prime and now it starting to hurt," says C. Edward M nell, a senior vice president of Bruyette & Woods, the New York stock house. Adds David Levin economist with Sanford C. Bernst Co., Inc.: "The prime should be 10% by midsummer." Which sug that those third-quarter bank ear reports won't look anywhere near as as the bountiful second-quarter one

Public preconceptions to the con these further drops in the prime ma bad sign for the stock market, at over the medium term. The sluggis mand for money suggests that the rent recession is going to be a roug and experience shows that share have fallen in the early days of postwar recession. Predicts St "This one will be no exception." ■

The luster of money market mutual funds may be rubbing off—onto common stocks.

Straw in the wind?

For much of this decade, mutual funds that invest in common stocks have been a poor relation to their money market counterparts. Since money market funds appeared six years ago, their assets have grown to $61 billion, $14 billion more than stock and bond funds put together. But in the wake of some surprising new figures, mutual fund managers wonder whether a reversal is in the offing. Is public interest shifting back to common stocks?

In May, for the second month in a row, net sales of equity funds are likely to exceed redemptions. That's a switch from the past 15 months, when redemptions exceeded sales. In fact, for most of the Seventies this was the trend.

Total sales of stock and bond funds were $1.01 billion in April, 40% higher than in March. Sales, net of redemption, were $249 million, an 11-year record. Equity funds gained significantly in all categories. Aggressive growth funds climbed 80%, to $121 million; growth funds were up 18%, to $142 million; and growth-and-income stock funds gained 40%, to $165 million. Though May figures are not yet available, the trend is continuing. A spot check by Forbes of the top ten stock funds shows all still reporting strong sales gains. "I'm more optimistic than I have been in ten years about the future of equity mutual funds," reports Claude Thomas, head of sales for Massachusetts Financial Services, which runs one of the top ten.

The surge in equity funds is coming partly at the expense of money market offerings. Mutual fund exchanges—in which investors swap one type of fund for another—soared to $556 millic April, almost $400 million more th March. T. Rowe Price Associates, w manages one of the top ten equity fu says transfers out of its money ma funds in April were $48 million, al double the March figures. "Investor learning they can redeem money ma funds and move into stock and funds," says Reg Green, vice preside the Investment Company Institute.

It should astonish no one that m market fund performance has bee ratic since March. That was the m the Federal Reserve Board impos 15% (now 7.5%) reserve requiren on new assets. March was also w money market certificate rates b their plunge from a high of 15.7% current rate of 7.8%. The money ket funds took two months to rec from a disastrous March, with sale late May showing signs of ano slowdown.

The rise in municipal and corpo bond funds might have been predic "You would expect people to go longer-term bonds at a time like th notes Green. "The rational investor wants income would try to lock in rent interest rates."

But the return to equities is less eas explain. For if the economy is in a re sion, when corporate earnings norm decline, investor interest in the ma could be expected to slacken. Green two reasons for the surprising move. thinks many investors have already counted the recession—or are prep to wait it out because they think market is undervalued.

E.F. Hutton, which sells mutual fu

ed by other companies, is betting ne move to equity funds will last. ear the brokerage house conducted es of meetings to educate its ac- executives on the advantages of l funds. Now, says Thomas McIn- vice president of mutual fund the effort is beginning to pay off.

nerney believes that the strongest ent for stock funds is their perfor-. Since 1975, he points out, the e equity fund has climbed 157%, tpacing inflation as well as the ones industrials (up 77%) and the rd & Poor's 500 (up 99%). Says McInerney, "People looking to the longer term have decided this is the time to move into equity funds. We are looking at a very significant trend."

The Dreyfus Corporation, which manages the third-largest stock fund, is typical; all its stock funds showed net sales in April. "That is the first month in which it really began to happen," says Director of Research Monte Gordon. The biggest gainer, he predicts, will be aggressive growth funds.

Gordon and other mutual fund experts also point out that April was the first month when a sharp increase was registered in money market certificates falling due. According to the Federal Reserve Board, $61.7 billion in money market certificates of deposit matured in April, up from $34.9 billion in March. During June and July, another $112 billion will fall due. "It is possible," Gordon says, "that April was the start of a growing unwillingness to roll over money market CDs." He is hoping that some of it will move into common stocks.

"You have had moves into gold, silver and collectibles," McInerney says. "The next could well be into common stocks. Mutuals should help lead the way." ■

business wanted was a nice little tax cut to help buy some new chinery. Instead, it is getting a fancy new eight-syllable word— ndustrialization— that could mean big trouble.

You read it here first

By Jerry Flint

ET READY FOR the verbal onslaught. Washington has a new buzzword. Liberal congressmen usiness lobbyists use it, as do pro- and labor leaders.

dustrialization

a product of the American fondor euphemism, in which junk be- "secondary recovery" and old become "senior citizens." Industry the new word means help against list of enemies: subsidized foreign titors; dumping; environmental nists; inflation; and the good old can tendency to soak the apparent Vhy not just come out and say the ment ought to cooperate with big ss? Are you kidding? That would voring the rich and powerful." So, *strialization* it is: simple recogni- f the fact that the best jobs are provided by private industry, and if industry doesn't prosper, there be many new jobs. The word is ing fast through the business com- y, where FORBES has found enthu- support for the new rhetoric.

as words get bigger, they take on neaning. To congressmen who fatting business taxes, it's a lot better to stand tall for reindustrialization than for, say, "shoveling money to the fat cats." To a labor leader, embracing the eight syllables is better than admitting he wants laws to keep factory owners from opening new plants in the South. For the professors and consultants, it's a whole new field full of potential study grants now that papers on how to redistribute the wealth have fallen out of fashion.

Amitai Etzioni of the White House staff
"We are eating into the foundation."

Thus the proud creator of the word, Amitai Etzioni, former Columbia University sociology professor and now a White House staffer, is getting a bit nervous about his eight syllables. Now there is talk of creating an industrial policy and planning committee. In its presumed wisdom, the committee might decide which industries to save and which—another pet Washington term—to "sunset." That, worries Etzioni, "involves a little too much planning."

What's happening is simple enough. Double-digit inflation and the enormous success of Japanese products here, even in the recession, are prodding the acceptance of some old complaints: that falling productivity has much to do with these problems and that other nations, particularly Japan, are grabbing the technological edge. It is gradually dawning on Congress, if not on the Administration, that changing the tax laws to encourage capital spending and saving could turn this around.

"Things have come together to make

...tal formation an idea whose time has ...me," says Charls Walker, one of the best-known advocates of such tax changes ("10-5-3 or fight," FORBES, *Dec. 10, 1979*). But when folks like Jerry Brown of California and Senator Ted Kennedy and Lane Kirkland of the AFL-CIO climb on the capital formation bandwagon, as they have, they bring their own baggage. "The shrinkage of the manufacturing basis of the economy must be halted," says Kirkland, but he's not endorsing any broad tax cut to business without strings attached. "We'd be against investment tax credits to help close a plant in Bridgeport, Conn. and move to Spartanburg, S.C.," explains one AFL-CIO official. The unions, though, would favor incentives to put plants in the old industrial city cores of the North, and the exclusion of some imports as part of reindustrialization.

Etzioni believes there are three stages of industrialization: the building of the infrastructure of transportation, energy and human capital—railroads and immigrants—in the U.S.; then comes th cumulation of capital goods, plan machinery, finally resulting in the stage, mass production.

But here, he says, a fourth stag developed "in which we are eating the foundation, in which we are unc vesting in the capital-goods infras ture." He notes that some blame th burden of the welfare state for the tr while others blame overconsumpti the private sector.

Emphasizing that he speaks for self, not the Administration, Et says, "We should spend the next d reindustrializing." He says this wi volve a broad program running fro changes to some spurring of the ethic. What is important, he insis that "we stop looking at the little p and look at the whole puzzle."

The collapse of American indus superiority even threatens the nat security. "Do we really want Pan nian ships to deliver Marines to I he asks.

Unfortunately, the Congress an bureaucracy, with the help of pow interest groups, have the habit of ta simple, sound concepts and tu them into enormously complicated destructive machines: housing prog that end up creating slums; educa programs that lead to illiteracy. your fingers crossed now that Ame industry is on the list for help. T Greeks bearing gifts may turn out advance men for a Trojan horse. ■

Last year Ford dealer Levin was doing so well he started a ne $375,000 home. This year his home and his dealership are for sale.

No Ford in his future

By Bob Tamarkin

JOSEPH LEVIN, 50, was doing so well with his Ford dealership in prosperous Barrington, Ill. last year that he started building a $375,000 house complete with an indoor racquetball court. The Levins will never live in that house. A month before it was completed, Levin put the house on the market.

Levin got caught, like many other automobile dealers, between the problems of high interest rates on the one hand and, on the other, of rising gasoline prices that turned customers away from big cars. Add to this Ford's particular problem of small cars either not selling (the Pinto) or not available in quantity (the Fiesta). Worse yet, Ford told dealers last summer that 42% of the company's national budget would be spent promoting trucks. Levin believed it and doubled his truck inventory to 200 units. T put him in a bind when the comp didn't deliver. Says he, "It seems to Ford's financial people were doing thing and its marketing people anoth He already had a lot full of LTDs station wagons he couldn't give awa

It just got to be too much for him he is liquidating his business. Within last year, 20 of the 85 Ford dealers in Chicago area have closed their door

. According to Burt Rose, a dealer for ears and current head of the Chicago rict Ford Dealers Association, at's 80% above the normal attrition and 50% above the closing in 1974- There's just no comparison between recession and the last one."

1979, 672 dealers left the business another 200 quit during the first ter of 1980, says the National Auto- ile Dealers Association. As many as of the 28,000 dealers still operating be out of business by year-end, ac- ing to some forecasts. Dealers selling estic cars—like Levin and other Ford ers—have obviously been hit hardest, gh General Motors dealers, with hot-selling X-cars, are doing rela- y better. And, of course, dealers with of small Japanese cars are doing even er than before in many areas.

vin himself is looking to get back the business with a GM franchise. good locations are tough to get in the ago area, even for a dealer with Le- demonstrated skills in the business lling cars. In 1975, after years in the ng business, he figured correctly that ecession had bottomed out and that was the time to buy a new-car deal- ip. He paid $250,000 for six-year-old Barrington Ford and got a 25,000-square-foot showroom and shop on five acres selling 40 or 50 cars and trucks a month.

After 18 months, a heavy boost in advertising and an expansion of sales and service operations, Levin was selling between 150 and 190 units a month. By 1978, with annual sales pushing $10 million, Barrington Ford had moved from 55th to 16th in truck sales among the Chicago area's 94 Ford dealers.

By last year Levin's investment and his seven-day, 60-hour work weeks paid off so well that he started building his dream house. And then it all started hitting the fan.

Levin thought he knew what to do. He cut his inventory by half, his 44 sales-and-service people to 30. That cut monthly expenses from $144,000 in January to $98,000 in April. Even with fewer cars in inventory, monthly financing, went up $4,000, to $31,000, during the period, despite Ford's 12% cap on dealer interest charges. And the factory's rebate program of $100 for subcompacts and up to $500 on full-size cars did little to help.

Traffic all but dried up. They didn't come in when Levin increased his advertising budget. And it didn't help when he tried to promote service and repairs. Frustrated, he tried to get a Toyota franchise, but got turned down because "there wasn't enough product to go around" and because there already was another Toyota dealer within 11 miles.

While Toyota can afford to protect the territory of its dealers by passing up an opportunity to sign somebody like Levin, Ford apparently cannot. With 404,000 new cars unsold—about a 92-day supply—the company's main concern seems to be to unload cars, not look after its present dealers. In Chicago, where maybe two-thirds of the 85 members of the Chicago District Ford Dealers Association are already running at a loss, protectionism has become a hot issue, especially after the factory cut the rebate it offers dealers on the carryover of unsold cars from 5% to 2%. Four dealers, backed by the district association, are suing Ford under a new Motor Vehicle Franchise Act to prevent the company from setting up new dealerships near them. Which won't help one little bit when Ford finally does have more salable cars to offer. Maybe the industry will, in the long run, be better off with fewer but stronger dealers, but that remains to be seen. To a considerable degree, cars—like any other product—are sold, not bought. ■

ng Chicago-area auto dealer Joe Levin of Barrington Ford
cing to get back into the auto business—with a GM franchise.

Detroit is still working to catch up to 30 mpg—which means that Japanese could well beat them again to the next step down.

60 miles to the gallon

By Jerry Flint

THERE'S A 60-miles-per-gallon car coming. It is *small*, probably doesn't weigh more than 1,200 pounds—about two-thirds the weight of a Volkswagen Rabbit—holds two in the front with cramped knee-in-the-stomach seats in the back, is powered by a 30-to-55-horsepower three-cylinder engine, runs up to 65 miles per hour and parks in a doorway.

Cars like that are in production today. In Italy there's the Fiat 126 and in Japan Daihatsu, Suzuki and Subaru build automobiles fitting this description. In their home markets they run $1,000 to $2,000 under their big brother subcompacts. None are imported into the U.S. These minuscule cars probably aren't good enough for the choosy American market. They are noisy and vibrate, get blown around on the highway and are usually bottom-of-the-line cars. Tinny is the word. Their size creates a safety problem, particularly when most of the cars on the road here weigh 2 tons. But that could change in five years when 2,000- and 3,000-pound cars predominate.

Detroit says it will eventually build minimites, too. But *when*? The Japanese may hit the market first and capture it, just as they've won most of the market for 30-mpg cars.

Says Erick Reickert, director of small-car programs at Ford Motor Co.: "It is a time-frame question. My guess is there will be a market of probably 1 million units, 10% of the market, by 1990." He also figures the first models could be coming on the market by 1984 or 1985, possibly sooner if the foreign manufacturers move in.

But at General Motors, which probably is ahead of its American competition on tiny-car design, there's no such mite on the production schedule through 1985, says Alex Mair, group vice president. GM *is* working at it. "I just rode in a Daihatsu yesterday," says Mair, one of the company's top engineers. He has already decided the three-cylinder engine is best and is wondering about other questions: What kind of ride, hard or soft? Should he offer automatic transmission, or air conditioning? By 1990, he says, GM will be building that type of three-cylinder minimite. Chrysler's product planners see it coming in the late 1980s, but not until the industry has completed the present downsizing programs that are costing tens of billions and bringing car weights to 2,500 to 3,000 pounds.

The fuel-stingy Fiat 126
But it's no way to meet a truck.

These little cars aren't just covered motorcycles. "The only thing this car can't do is carry a large number of people. I've driven a lot of them myself, around Detroit," says Reickert of Ford. "They park easy, whip in and out of places you wouldn't believe. The other day I drove one by a VW Rabbit and he looked *down* at me. The look on his face when I left him behind!"

American manufacturers are also wrestling with the problem of concept. Some think of the minimite as some type of low-priced commuter good for running to the supermarket. GM is working on a battery-powered electric with that idea. But it's unlikely that any type of new car, no matter how small, could be particularly low cost, and it's hard to see why anyone would pay $7,000 to run to the supermarket.

"There are two types," says Reic "That utility car—the shopping Then there's the executive commu prestige mini the guy drives. Instea T-Bird with three empty seats he ha empty seat."

Mair of GM agrees with Reicker should be good-looking and upfitted says, meaning it should have a f interior. "We could afford some e lightweight materials."

The high-mileage mini does fit in Detroit's idea of the multicar fa owning one or two tiny vehicles a larger model. "The vast majority of in the U.S., unlike the rest of the w are used by one person at a time. T why specialty cars and multicar ow ship make sense," says Ford's Reick

The government also could play a in any production decision. Present calls for each producer to average mpg by 1985. But Congress is begin to talk about new standards, possib much as 40 mpg by 1990 or 1995. way to achieve that greater mileage have some 60-mpg cars to balance of larger models that will never get up t to the gallon.

In Detroit at the moment, howe these cars are not a priority. All t carmakers are concentrating on do sizing 30-mpg cars. Japanese carmal meanwhile, are at work developing n ern versions of their old supertiny They've got a head start because the built these cars before with two- three- and four-cylinder engines.

"When it comes, we'll beat Detro says Harvey Lamm, president of Sub of America. He makes it clear that Japanese carmaker is working to up and Americanize the two-cylinder m mite it builds for its home market. sees such cars here in two to five y but doesn't want to say more. "I'm that anxious to get Detroit started."

If the Japanese arrive first, will Det sit still? No, vows Mair: "Then we b our gut to get it out." ■

e Chinese want to sell textiles to pay for the mputers they hope to buy from the U.S. Why, y wonder, should that be such a problem?

The inscrutable West

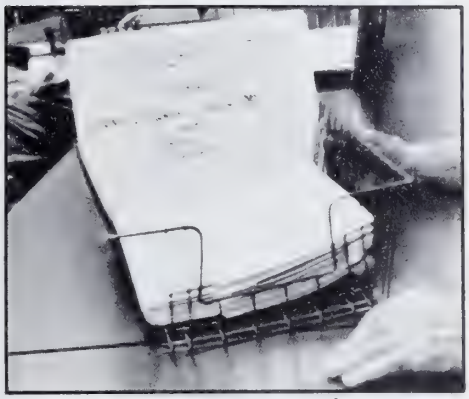
By Jean A. Briggs

UR NEW FRIENDS the Chinese are getting a lesson in pluralistic societies, courtesy of the powerful textile lobby. The Chinese hope to ernize their vast country without g on huge amounts of foreign debt king in huge amounts of foreign al. To pay for American computers, ors and military equipment, they d rather sell us something. But what it be?

ng term, oil or minerals, perhaps. t term? Light industrial products clothespins or paintbrushes—or tex- Trouble is, nearly everything the ese propose is made here by an in- y already baying for protection. The st and loudest of all is textiles. 's the major reason a sixth round of Chinese textile trade negotiations d in failure last month, and the U.S. sed unilateral import quotas for the d year in a row.

e Chinese are puzzled and sad- d. "This does not match the rela- between our two countries," says g Jianmo, second secretary of the ese embassy in Washington. "We want to make a big problem, but will affect our relations." After all, sks, didn't the Chinese buy $800 on worth of U.S. raw cotton and les to prove their good faith? "The balance is 5 to 1 in your favor," g says. "We could buy these things other countries. We are buying from you in order to create a better sphere for negotiations."

parently assuming that the better sphere already existed, China ely shipped into the U.S. last year equivalent of 231 million square of clothing and other textile goods. turned out to be over 3½ times the the U.S. imposed last May after 979 negotiations failed. A year later, sands of Chinese-made men's shirts till stacked in U.S. warehouses.



U.S. Customs House in New York
How many shirts held hostage?

Could the Chinese have been unaware of the clout the textile industry has in Washington? Were they really that naive? One U.S. official who requests anonymity believes they were. In the euphoria over renewed U.S.-China trade in the Seventies, he points out, U.S. businessmen began shopping in China at the very time the Chinese government decided to decentralize control of its textile industry. Not only could the Chinese garment centers make their own deals, they were even given incentives for doing so—roughly 15% of the export profits to reinvest in their plants. U.S. merchants placed orders for hundreds of thousands of items. It was almost impossible for the Chinese to believe that the orders they were writing—with businessmen like the top buyers from Sears and K mart, no less—were not the result of clear, coherent U.S. government policy. Hence their chagrin last year when the negotiations broke down and the U.S. acted unilaterally to limit sales here. "Those goods were already ordered, produced and in some cases shipped before the quotas were imposed," according to Huang.

But more shocks were in store for the Chinese. Last year's quotas were slapped on while the question of most-favored-nation status for China was still under consideration—very unusual, says Huang, in the history of U.S. diplomacy. Then, after the status was granted in February of this year, the U.S. imposed unilateral quotas again.

Huang complains, too, about the U.S.' characterizing China as the fifth- or sixth-biggest exporter of textiles to the U.S. market. "That's like saying Buffalo is the second-largest city in New York State," says Huang. "The comparison is meaningless because the difference is so great." China's imports are dwarfed by Hong Kong, Taiwan and Korea. For example, Hong Kong exports over 27.8 million men's shirts to the U.S. annually; China's quota is 4.2 million. China's imports have grown faster, he concedes, "but we are starting from a low base."

What happens when the Chinese make these points to the U.S. trade negotiators? "They tell us, 'That is not our affair,' " Huang says. "They talk about sectors."

The key sector involved is the U.S. textile industry, which has been battling imports for more than 20 years and still provides 2.2 million jobs, more than any other manufacturing enterprise. As the industry likes to point out, many of those jobs are low-skill and located in areas of critically high unemployment. The textile lobby can, and does, affect U.S. trade relations at the highest levels. In 1978 it got Congress to exempt textiles from tariff reductions that were being negotiated at the last round of world trade talks in Geneva. President Carter vetoed that bill, but last year, when the industry threatened to block ratification of the overall China trade agreement, the Administration placated it with the tight 1979 import restrictions.

Will a Chinese textile agreement ever be reached? Probably. Both sides say they came close this time—the difference between them got as slim as 3½%—apparently because the Chinese did most of the compromising. "They came down considerably from the stratospheric levels they were proposing a year ago," says Paul T. O'Day, deputy assistant secretary of commerce for textiles and apparel. In fact, says Huang, "Our original proposal was 30% below what we actually shipped in 1979, and later we reduced it by another 25%." So the prospects for an agreement may be a little better next time. But it probably won't give the Chinese much of the U.S. textile market, no matter how pressing the reasons for U.S.-China international political cooperation.

At bottom, that may be what the Chinese can't understand. If the U.S. wants to sell China capital goods—let alone if it expects China to restrain North Korea or back up the Olympic boycott—why doesn't Jimmy Carter order the textile industry into line? Alas, it doesn't work that way in the inscrutable West. That's another sector. ■

They're starting to say that IBM is over the hill. Don't bet on it. There is more going on here than shows up on the profit statements. IBM is transforming itself on a grand scale—too grand, perhaps, for many investors to comprehend.

IBM: The empire strikes back

IBM Chairman Frank T. Cary
Life is much more fun when you're driving a steamroller.

By Harold Seneker

JUST THREE YEARS International usiness Machines Corp. ran rough some $4 *billion* in cash and orrowed $1 billion in the first bond g of its history. It announced prod- it couldn't deliver, and delivered cts it couldn't support with neces- ervices and software. IBM is in the of an apparently self-inflicted earn- decline from the superaggressive g of its medium-size computers, 300 series, and a breathtaking 80% in memory prices.

h all this, IBM earnings slipped last o $5.16 a share from $5.32 the year . Its stock, down 30% from last high, has shed $15 billion in mar- alue. At its recent price, 55, IBM or a lower multiple of earnings and idends than at any time in recent y, even including the bottom of the panic. (Who would have expected IBM at under 11 times earnings elding 6%?)

w 1980 is shaping up as another ore year. First-quarter earnings only pennies better than the same l last year and the diminished prof- gins are likely to continue through- e year.

the old story. The young champion ecome tired, overweight and out- d by a host of hungry newcomers. *tune* magazine recently suggested. don't bet on IBM's decline. A two- drive from Wall Street to IBM head- ers in Armonk, N.Y. takes you to a different view. Talk to Frank T. IBM's chairman and outgoing and you get an angry rejoinder: read a lot of that sort of thing, and st absolutely ridiculous. Absolutely lous! Some of it, I think, was self- g on the parts of analysts who were in their forecasts and are holding ountable for their being wrong."

s was a studied outburst—IBM nev- es anything without long, careful ought. That's what the critics have oked: A major part of IBM's appar- eakness is simply the inevitable f an unpleasant long-range strategy ned to keep the giant on top of the 's greatest growth industry.

u have to put IBM's apparent mis- and miscalculations in the context conscious and deliberate drive to the pace of technological develop- to its limit," explains Gideon er, whose Gartner Group, Inc. is a short drive away from Armonk eenwich, Conn. The group, which les computer research to Dillon, & Co., is possibly the most acute ell-informed among the miniature igence agencies and other "IBM- ers" that have sprung up. "They astening a transformation of the computer industry," says Gartner, "at least as significant as the shift from punched cards to internally stored programs in the late 1950s." But to understand what IBM is doing, you have to understand what is happening to the industry.

The transformation started without IBM, with the advent of the minicomputer in the late Fifties, and was accelerated by the appearance of the computer-on-a-chip microprocessor. In the old days, computing power was costly to own and difficult to maintain. You had to concentrate it in a single, huge machine; house it in a computer room with carefully controlled temperature and humidity; hire shifts of trained acolytes to attend it and speak to it in the arcane programming languages of the day. The main customers were big corporations, and IBM still dominates that business utterly. The minicomputer, introduced by Ken Olsen and his Digital Equipment Corp., at first seemed a small oddity, useful mainly to scientists and computer professionals, that could be safely ignored. It could, at first.

But as the price of computing power dropped and machines became easier to use (more "friendly," the industry says), it made more and more sense to move the computing power out of the big "host" computer and into the terminals and other peripherals—"bells and whistles," as the industry calls them. Putting the computer where the problem is saved big on communications costs.

This phenomenon is distributed data processing, and it's already far along. Paul Arabasz, manager of computer industry analysis for International Data Corp., a computer market research firm, has worked up some illuminating figures on just how far along. "By 1975," he says, riffling through reports, "the cost of the central processing unit alone was still roughly 55% of a typical system's cost, the rest being terminals, printers and other peripherals. Now, with the IBM 4300s, the central processing unit is down to about 35%." Moreover, systems with large central processors were about 85% of the computer market in 1975. "They're already down to 70% now, in dollar volume, and we estimate that will drop to 50% by 1984."

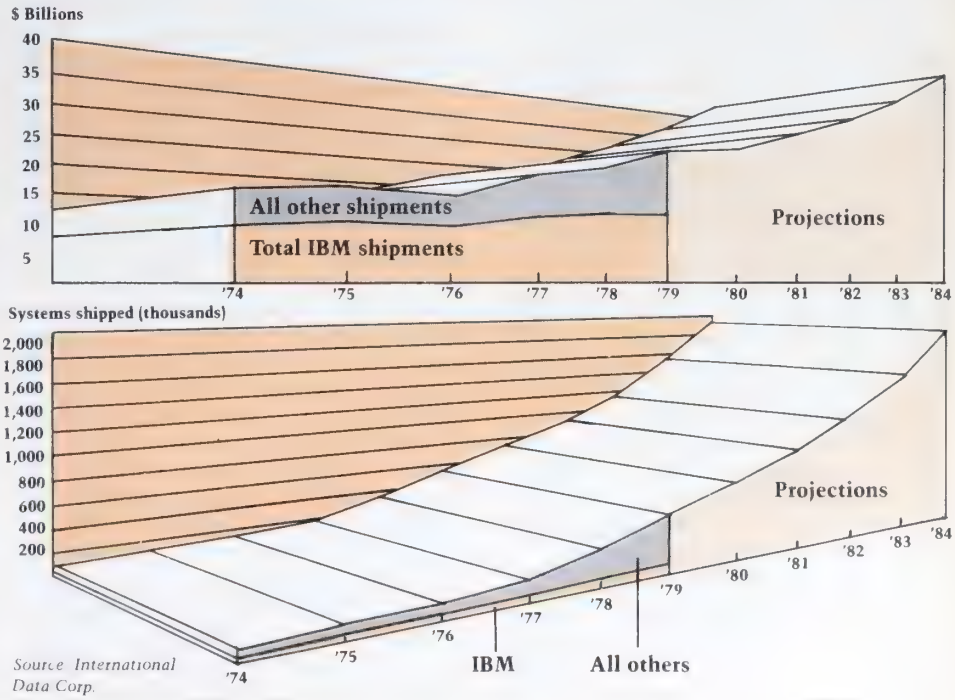
Arabasz is talking about IBM's main business. It is declining as a percentage of the data processing universe.

It's no accident, then, that IBM revenues from central processing units (as distinct from complete systems) continued to decline, from 28% of U.S. revenues in 1975 to 24% last year. The rest of IBM's $10.6 billion in the U.S. was from a growing business in peripherals, software, services and from typewriters, copiers and other office equipment.

Gideon Gartner uses a broad definition of the data processing market. He in-

Less is more

IBM's share of U.S.-based companies' shipments of computer hardware has dropped since 1974, from 61% to 51%. The main reason: IBM's strength is big mainframe systems, and most of the growth is now in the smaller systems, suited to distributed data processing. These smaller systems cost much less, but their numbers are mushrooming enormously. By 1984 they will earn half of all hardware revenues.



Source: International Data Corp.

IBM never does anything without long, careful forethought. That's what the critics have overlooked: A major part of IBM's apparent weakness is simply the inevitable cost of an unpleasant long-range strategy designed to keep the giant on top of the world's greatest growth industry.

cludes, for instance, computer services revenues of companies like Control Data, which rent out time on their machines. Gartner figures IBM's share of that total market at as little as 40% now. "And I expect it to drop more this year; it could go as low as 38%."

Thus the price IBM would pay for sticking solely to its traditional mainframe business, of which it has some 65% to 70%, is clear: IBM would end up controlling only a relative backwater.

A piddling Radio Shack "personal" computer, if you buy all the options, can now be pushed to perform as well as the old workhorse IBM 1401 computer that was a mainstay of big corporate computer rooms in the early Sixties. At about $4,000, the Radio Shack computer costs less than the older machine's annual electric bill alone would today. The cost is certain to keep going down. By the end of the century, the most powerful machine IBM offers today, at $4 million, will be matched for a mere $40,000 (in constant dollars, of course).

Where, then, is the growth? In the data processing system itself. As the terminals get smarter, it becomes possible and desirable to interconnect them with one another as well as with the host computer. Soon, an environment of interrelated devices with potentially infinite variety emerges, in which the total "network" itself becomes the product, and the erstwhile host computer only a part of the system. "We will be living in a world of separate but interlinked, usually small, information appliances," predicts Frederic Withington, Arthur D. Little's lead computer industry analyst.

A new Minolta "intelligent," *i.e.* computerized, copier provides Withington with a minor illustration he likes to use: "By itself it's just a copier; put a piece of paper in, get a copy out. But it can also copy an image on a digital signal sent to it through a wire from elsewhere. Or it can combine the two inputs on command or copy the image from the digital signal in a new format or add a standard message like a company logo stored in the copier's memory disk. You can 'create' on it—get something out quite different from what went in.

"Now sit it in an office, where people have machines from 'smart' typewriters all the way up to the big terminals. The technology of computer printers is such that they are expensive and likely to remain so; so you hook the copier to everybody's machine, from secretary to executive, and presto, you have a pooled office printer as well as a copier—and, in effect, a fax machine capable of receiving images from other offices anywhere in the world." His point: The copier gets its value from being part of a network.

Suddenly, what's important is providing the network—the devices for connecting into it, for managing it and *most* especially, defining protocols, the standards and formats in which the electronic impulses are arranged so they will be read properly by the communicating machines. This provides an opening for a host of competitors.

Let Doug Davidson explain it. He's senior vice president for Mohawk Data Sciences, a manufacturer of distributed data processing systems. At a recent press conference he remarked: "If you supply the network, the customer is tied to your unique operating standards, your protocols and your communications equipment. Once it's in place, it becomes very difficult and costly for him to change." This is an exciting fact to Davidson; IBM built its success on that principle in computers—an IBM computer meant IBM software and IBM service and IBM peripherals. Nothing else would work. Only in the last dozen years has a clutch of "plug-compatible" companies grown up to offer IBM users competing equipment. Burroughs has done the same. Ditto Sperry. Ditto Honeywell. Ditto NCR. Now Mohawk, all of 1% IBM's size, just might do the same thing, too, thanks to networking.

Mohawk's network system is called Worldwide Integrated Communications Service. It will link up any number of Mohawk terminals, allowing a customer to do distributed data processing, and its employees, from executives to secretaries, to prepare the final form of the text of anything from a one-line thank-you note to the annual report. The network also gives them an electronic mail service on the same equipment, zapping messages to any other terminal on the network far more quickly than, and at least as cheaply as, the Post Office. Mohawk, besides managing the system for a fee, will supply the terminals and other equipment. Naturally, they will provide their own protocols, too.

That, in brief, is the way the computer world looks, the world in which IBM can be counted on as having a 40%, declining share. Last year IBM revenues grew 8%, U.S. computer industry revenues, 15 20%. Distributed data processing networking are growing up around IB old business like a forest of young t growing up around an old one, eventu to obscure it.

Take a short view of the situation you can make a case that IBM is trouble. But that is to ignore IBM's co terattack. "You can't run this busi like the long-term business it is," Fr Cary emphasizes, "with five- or six- product cycles, on the basis of quarter quarter earnings comparisons."

As early as September 1971, C was reporting to former Ch man T. Vincent Learson his c clusions: "The market will move tow remote computing and noncentral p cessing unit equipment will be a con ually increasing portion of the busine Soon after, IBM quietly installed a pr type "interactive" system at the monk headquarters dubbed AQUAR (A Query and Retrieval Interactive U ity System). It has grown over the yea

IBM now has a vast, international n work for its own internal use," says T Crotty, one of the Gartner Group's a lysts and a cofounder. "All the bra offices were hooked in three to four ye ago. By now, they've interlaced all th branches, depots, headquarters arou the world, distribution centers, eve thing—they've bought satellite space handle the communications. Almost the data bases—the files and accumu tions of knowledge—the company ne to run are on there." In short, it' corporate nervous system.

In 1975—when mainframe syste were still 85% of the computer busine remember—IBM introduced "SN Systems Network Architecture is a m ter communications package of softw and necessary equipment that pulled gether the separately developed, inco patible communications schem worked out for various IBM product li into one universal, standardized syste Shortly thereafter, IBM started bang out "smart" terminals in volume. then IBM had already introduced its fi minicomputer system. The Series/1 l guished a while, but last year IBM e dently got the hang of that market; mini revenues jumped to $240 milli from $80 million in 1978.

Now, the old IBM-based systems still pretty powerful products in th own right. Take, for instance, the one up at Hercules, Inc. in Wilmington, D CEO Al Giacco is still excited about t small terminal that stands outside l office. "I can get instant, daily reports all the basic data of the business from i he gloats happily. "Sales, order backlo shipments, inventories, expenses—t works—and I can compare them to pl I can get them broken down by divisio by country—and by product groups a

idual products!" It enables him, in to run his $2 billion chemicals any virtually like a one-man oper- Hercules still uses a central com- to run about 400 terminals world- But there is no real reason any- why Giacco's terminal couldn't be rt" enough to poll the other termi- irectly, work up his figures for him, ire back telegram-like (only faster) ages from him, using Hercules' two computers as a convenient "switch-." Soon everyone may be running usiness like that.

ere's more at IBM: Two new small uters, the 8100 and the System/38, signed specifically for the distribut- ta processing market. Cary is par- rly proud of the 38: "It's going to be f the best products we've ever had," asts happily, "because it is so easy e customer to use." It is highly sticated, designed to make commu- ons simple for the customer, be- all the rationing of computer space essage storage and relay is handled natically by the system's main- computer. The user only sees, and needs to know how to use, a termi- n the other hand, "The 8100," says "is our *networking* product."

ese are the systems that didn't after IBM announced them. IBM was infallible. But it has the flexi- to recover fairly quickly. "The tional software didn't work," Cary s. "Our people underestimated the ulties involved. Things are settling now, and we're getting back on ule. It's something we don't like to happen, but it does happen."

at else would you be working on if ere IBM preparing for a networking e? Communications, for one thing. as for years been hip-deep in Satel- usiness Systems (FORBES, *Apr. 14*), a venture with Comsat and Aetna to de a satellite data transmission sys- cheduled to start up early next year. ked why IBM was accepting a rela- poor rate of return from this ven- -14% on equity *vs.* the 20%-plus it s—Dean Phypers, senior vice presi- of finance and planning, told es, "Our primary thrust was tech- ical advance, and we regard it as a actory return within that context."

n means IBM will have several lead time playing with possibly nost powerful and cost-efficient mission technology in sight. IBM l have regulatory problems control- common carrier like SBS—hence ne-third interest—but that kind of ledge is more valuable than dia- s to a company like IBM. That's nunications with a vengeance.

would want a position in office ment, too. Happily, IBM had rev- of $3.8 billion worldwide in office ment last year.

And you'd plan to gear up for new products. "Spending for plant and equipment was up 35% last year," notes Gideon Gartner. "That's not counting investment in machines to put in the lease base. That's plant."

"Most of the competing networkers," says Withington, "can sell equipment piecemeal into IBM's customer base, but what they really want to do is set a standard before IBM gets there and does it. They're in a race against time." IBM understands very well the value of controlling the standards and still has the market clout to achieve that control.

Note carefully where all this is leading. Subtly, IBM appears to be metamorphosing from just a manufacturer. In the end this involves not simply building a network on order—though undoubtedly IBM will do plenty of that—but *becoming* a vast, immensely sophisticated network. This has been Gartner's theory. There are a lot of headaches for the customer in designing, building and operating his own network: He has to replan and rebuild when his needs change; he needs to have excess equipment to han-

The competition

In data processing, it's no longer the machine that counts but the system. IBM sees this; its competitors see it, as well.

Burroughs, for instance, has run a major international network for a year and a half. "We call it SWIFT," DuRay E. Stromback, Burroughs' president says proudly. "It's the biggest network in the world. It connects about 700 of the world's largest banks. They run it as a nonprofit organization, but it's all Burroughs staff and Burroughs equipment." SWIFT, the Society for Worldwide Interbank Financial Telecommunications, does what it sounds like. It is based in Brussels, with a computer center there and in Amsterdam for Europe, and another in Culpeper, Va. to link up Latin America, the Far East and North America. These centers tie together data fed in from "concentrator" computers, one for each country, that the member banks plug into. "They can make any bank transaction anywhere in the world," says Stromback, "buy, sell, lend, borrow—and get back an acknowledgment in five or six seconds. Nobody can make money on the float anymore."

For small companies unwilling or unable to build and run their own networks, there are now commercial networks they can plug into with their terminals for a fee. Tymshare, a smallish (sales, $200 million) computer-services outfit, offers one, dubbed TYMNET. General Telephone & Electronics has one called GTE Telenet. Both provide worldwide electronic mail and other communications services for customers and are registered with the FCC as common carriers. Control Data has one not registered as a carrier, called Cybernet, currently providing data-processing rather than communications services.

Xerox, which was forced out of the mainframe business by IBM several years ago, nevertheless has a $1 billion business in computer-related office equipment, including its own minicomputers, and has recently made a tie-in with Digital Equipment Corp. and Intel that will provide the means for companies to set up internal local networks within single buildings or close-built clusters of buildings. The three companies are making a special point of allowing other makers to license their network system—anything to get your protocols and equipment out there in the field.

Sperry Corp. is looking toward a networking future as well. Its Sperry Univac division provides customers networks of their own, organized by DCA, or Distributed Communications Architecture.

Further away in time from competing, but potentially far more dangerous, is AT&T. The phone company already possesses the greatest communications network on earth. The question is, will the regulatory authorities let it compete in data processing? When a secretary types an instruction to a Minolta "intelligent" copier downstairs or across town to do something different, is she communicating or doing word processing? The answer is, in a word, yes. She's doing both. The FCC seems willing to wash its hands of the mess, but the Justice Department, armed with a 1954 consent decree, has repeatedly sworn to take its vendetta against Ma Bell to court first.

Meantime, AT&T is quietly getting ready, working on a system it calls ACS—Advanced Communications System—whose keystone, reports Frank Kline, newly arrived computer technology analyst at Drexel Burnham Lambert, would be "transparency": the ability to translate the signals of any manufacturer's computer or computerized gadget, no matter what programming language it is using, into usable signals for any other manufacturer's device.—*H.S.*

"The real difference is that the Japanese government takes a real interest in making (their computer) industry preeminent. We carry a handicap in that respect. The U.S. government has to wake up to the fact that the U.S. is just one competitor among many in the world."

dle peak loads which raise his costs; downtime can be disastrous without costly backups; deciding what piece of equipment of the myriads available to add to the system is a big nuisance; growing it in the right-size increments is difficult; melding equipment from many different suppliers into a smoothly functioning, integrated system is never easy in any technology. It would be nice to link up, as desired, with customers' and suppliers' networks. Clearly, there will be a temptation for computer users to invest only in some IBM terminals and plug them into the sort of enormous, omnipresent, infinitely capable computerized network IBM has the resources to provide, on some sort of fee basis.

This strategy would accord with IBM's ways of doing things in the past. The company traditionally made money by owning the assets—the punched-card machines and electric typewriters before 1950, then the computers—and leasing them, making money off the leases and software and servicing and hardware all "bundled" in one monthly price. Besides, the legal obstacle to offering computer services in the U.S.—the settlement with Control Data in 1973—conveniently expired in January 1979.

How about it, FORBES asked Cary, are you going to offer a network service?

"Yes, we are," said Cary. "It's not a question of whether we're going do to it, but a question of when and how."

After Satellite Business Systems is up and running, supposedly early next year?

"Or concurrently.

"Actually, there's no reason we even have to wait for SBS. It's just a question of timing.

"I would say this is going to be a very important part of our business in the future. These kinds of services are very valuable to many sorts of enterprises."

It's all very obvious, really, once you look at it: IBM is doing what it has done for generations—letting a market develop until its direction is clear before letting out a steamroller carefully, very carefully, designed to flatten everything in sight. It's just that this time it's on a really grand scale—too grand, perhaps, for investors to comprehend.

All this groundwork laying is expensive and disruptive. So, the drag on earnings is still there and the recession is already making inroads on computer orders—computers, after all, are capital-goods items, and customers, as Cary noted, are inclined to defer or cut back when times are tough. Moreover, the new, powerful "H" series computers will be costly to bring out. Gartner speculates that they will probably be a series of building block processors in two or three sizes that are able to be stacked one on the other to make ever huger machines in several carefully graduated sizes. The first machine to be announced will probably be twice as powerful as the biggest IBM now has. Even if this series were announced tomorrow, the logistics of the big-computer business are such that it would be six months before they were shipped in significant volume. So earnings this year are already shot. Gartner estimates earnings at about $5.25 a share, which is to say flat, since IBM earned $5.16 a share in 1979.

But unless IBM's strategy goes seriously awry, a huge earnings surge is building up. Sooner or later, the big machines will appear. Meanwhile the incremental income from last year's leases—$1 billion or so, since IBM added $4.2 billion in 1979 to its (typically) four-year lease base—will continue to come flowing in like a big, green river. The old big machines now out on lease, in fact, actually create the potential for highly profitable sales revenue a little further down the track. Harry Edelson explains why: "Suppose they lease a $4 million computer for four years. They give the end-user a cumulative discount if he wants to convert to purchase. IBM has the lowest cost of manufacture, relative to price, in the industry by far—about 25%. So it has covered its costs, basically, in the first year or so. After two or three years, the customer has accumulated a 50% purchase discount. So now, say IBM decides to have a fire sale when the Hs come out and knocks $1 million off. With his discount, that means the customer can buy a $4 million machine for $1 million. Nobody can resist a package like that. But the whole $1 million drops straight down to IBM's bottom line." Edelson predicts an earnings surge in 1982, to $8 per share from $6.50 in 1981.

Moreover, IBM has adopted—starting last December—the concept of across-the-board repricing for inflation, previously almost unheard of in computers.

In 1982, presumably, everything will be coming together—end of recession, advent of Hs, irresistible fire sales on the lease base and increased production from the huge amount of plant IBM is building—some 8 million square feet in past two years and 8 million more year. (This, together with the mas $4.2 billion addition to the lease b accounts for IBM's huge cash needs.

Will things go according to plan? C casts a long, thoughtful eye over the position, sizing it up: "There are a nu ber of significant trends for the 198 he says. "The semiconductor manu turers—the Intels, the TIs—are mov toward integrating into computers. telephone company clearly is plannin get more broadly into data process They will certainly be very tough com tition in the networking area. So, will the government telephone mono lies in other countries. . . .

"And the Japanese companies, have very capable people, though t will probably not want to get i networking outside Japan. But they h very good equipment."

It is clearly Japan Inc. that IBM f the most. Or should. The late Ch topher Evans, a British scient wrote in *The Micro Millennium*, recen published by Viking, about a 1977 l cheon with the vice president of one Japan's largest computer compan "The oil crisis and the various shifts the balance of political and econon power . . . meant that Japan would unable to maintain, let alone increase, standard of living . . . on such arch means of making money as selling mo cars, cameras, tape recorders and like. The solution was blazingly unam guous. His country had to make itself number one computer power of 1980s . . . the Japanese government, consortium with industrial investo was injecting about $70 billion into computer industry in the decade 19 85. By the end of 1979, $30 billion of t will already have been invested, and Japanese thrust—whose rewards must remember do not mature imme ately—will be halfway home."

"Given the ability of the Japan companies," allows Cary, "and the Ja nese government's ability to organ the private sector to achieve natio goals, yes, that is an achievable go provided the U.S. fails to stay compe tive. The real difference is that the Ja nese government takes a real interest making that industry preeminent. carry a handicap in that respect. T U.S. government has to wake up to t fact that the U.S. is just one competi among many in the world.

"The Justice Department antitrust s seeking to break up IBM is an anach nism. It's completely outdated by t marketplace and the technological rea ties of the world we live in. But it tak time for Justice to realize that."

And it will take time for investors realize that some of the company's be years may still lie ahead of it. ■

Jameson Irish "~~Scotch~~ and water."

If you like fine Scotch, you'll love light, imported Jameson Irish.

Try a glass of Jameson Irish the way you would your favorite Scotch. With water. Soda. On the rocks.

You'll notice how much it tastes like fine Scotch—only lighter and more delicate.

The dedicated Scotch drinker will instantly appreciate this flavor difference.

Though it may take a little time getting used to saying, "Jameson Irish and water, please."

Jameson. World's largest-selling Irish Whiskey.

80 PROOF • CALVERT DIST. CO., N.Y.C.

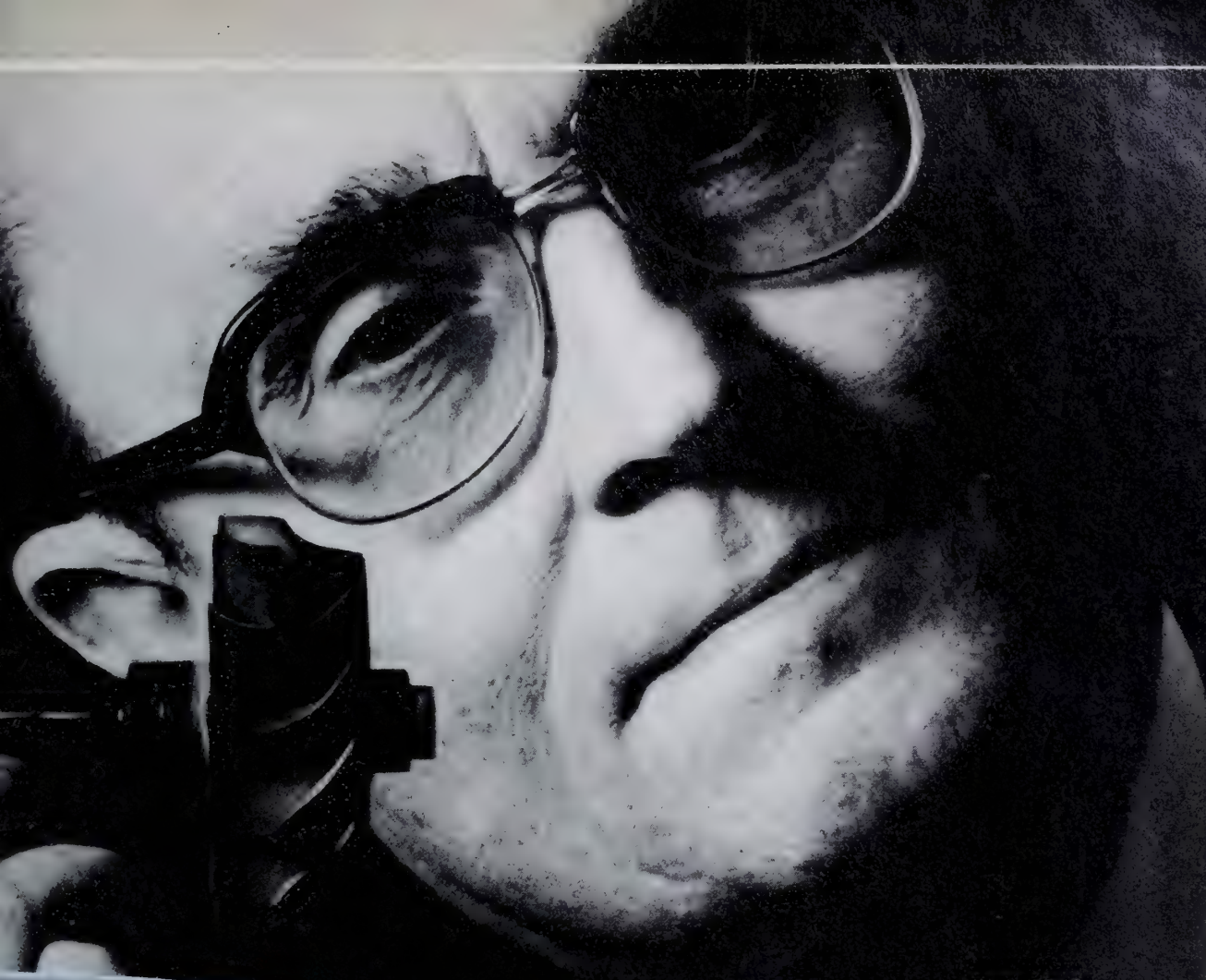
"Engines run on a mixture of air and fuel. Fortunately air is free. But unfortunately natural atmospheric pressure limits its supply," states to Audi engineer Franz Hauk. "This poses a natural limit to the amount of power that can be extracted from a given displacement before an engine simply runs out of air. Making an engine larger will increase power but this will necessarily compound the inefficiency inherent to any naturally aspirated engine design."

Enter the impeller-turbine wheel – key component of the new Audi 5000 Turbo's turbocharger.

This simple device makes horsepower out of thin air for the new Audi 5000 Turbo.

"The turbine wheel fixed to the left of this shaft is spun by an unusual power source – exhaust gases, a combustion engine's waste product. It spins the impeller wheel on the right which is actually a fresh air compressor." Under peak engine load and rpm the impeller will deliver air to the engine under pressure of up to one-and-a-half times the atmosphere's. The result is a greater volume of air and a near 30% increase in power on demand.

Thus, this simple device, spinning at up to 100,000 rpm, increases the output of the Audi 5000 Turbo's engine in a way that is far more efficient than adding an extra cylinder – the Turbo's extra power is



Franz Hauk, Engine Designer, holding the impeller-turbine wheel.

there only when you want it. But there is more to the Audi 5000 Turbo. "We set out to build a thoroughly refined high performance luxury sedan. This involved developments on all fronts. From the dynamic safety and handling built into its front-wheel drive layout to the thoughtful ury and convenience of its interior, my colleagues and I feel we have ceeded. But we would like you to see for yourself."

sche + Audi: Nothing even comes close. For your nearest dealer, call -free: (800) 447-4700. In Illinois, (800) 322-4400.

How an industrial product from Colt Industries helps give this earthmoving giant its small-car mobility.

Even with a full 66,000 pounds in its bucket, the massive Marathon LeTourneau L-1200 Letro Loader can move with an agility that belies its size. Contributing to its remarkable maneuverability are high torque electric motors in each of its 12-foot diameter wheels, and drive components that have been worked to critical tolerances on machining centers from our Pratt & Whitney Machine Tool Division.

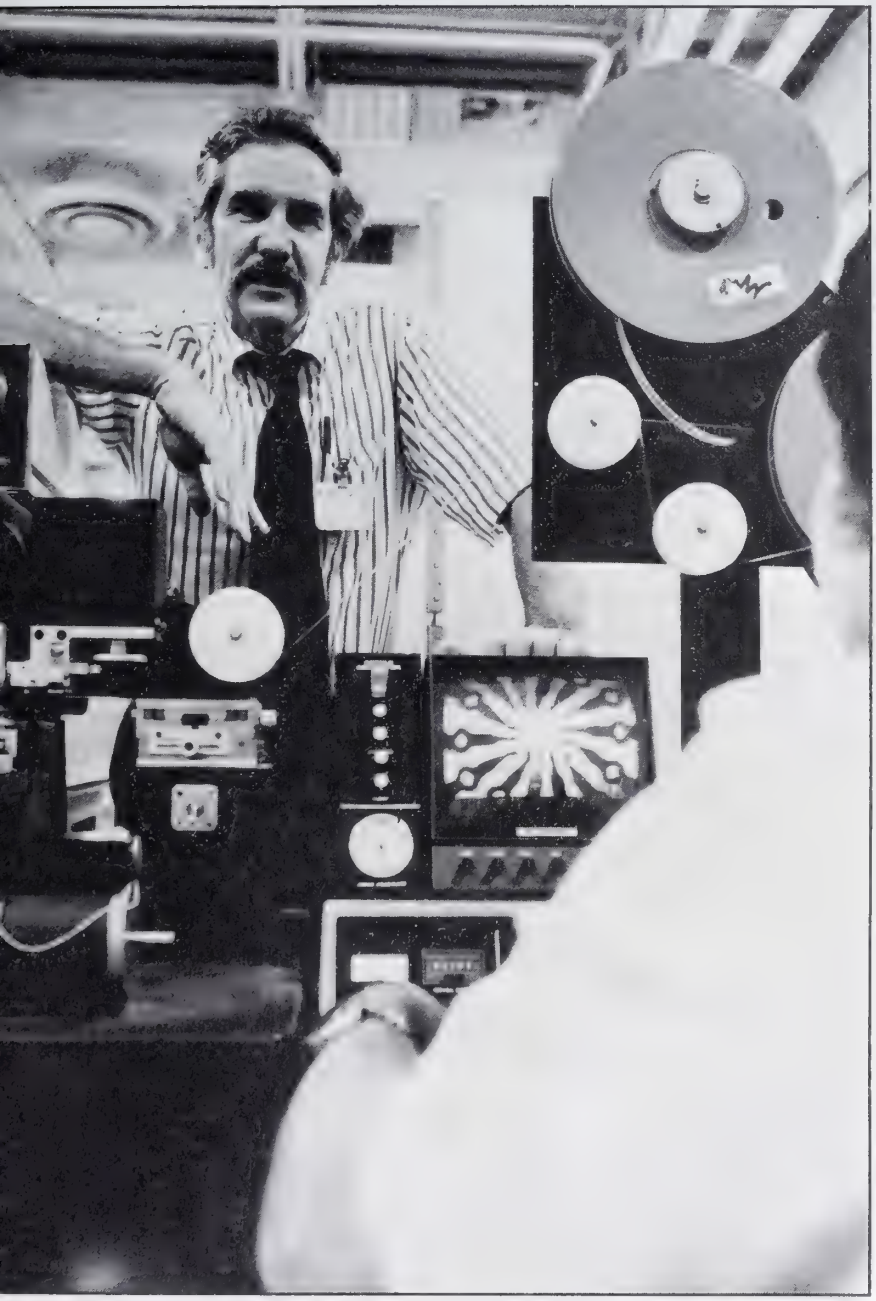
An innovative full-line manufacturer of computerized numerically-controlled metal-cutting, turning and machining equipment, Pratt & Whitney is another of the well-known names in the Colt Industries family. And another reason Colt Industries is a leading supplier to the industrial sector of the U.S. economy. For our latest financial reports, write Colt Industries Inc, Dept. CC, 430 Park Ave., New York, New York 10022.

Fairbanks Morse diesel engines • **Fairbanks** boilers • **Pratt & Whitney** and **Elox** production equipment • **Quincy** compressors • **Central Molloy** transformers • **Trent** welded stainless steel pipe and tubing • **Crucible** permanent magnets and coil springs • **Colt** firearms □ **Holley** carburetors **Chandler Evans** fuel controls • **Fairbanks Morse** pumps □ **Crucible** specialty steels □ **Garlock** industrial seals • **Stamco** truck products • **France** compressor products □ **Menasco** shock mitigation systems.

Colt Industri

ional Semiconductor marketing comput- is a little like a supermarket selling design- ashions. But who's to say it won't work?

The odd couple



al Semiconductor's CEO Charles E. Sporck
can make them cheap, but can they learn to sell them well?

By Kathleen K. Wiegner

PEERING OUT HIS Palo Alto, Calif. office door, National Semiconductor Vice President E. Floyd Kvamme sighs. "I'm just not into all this," he says, gesturing at the toe-deep carpet, polished wood banisters and waterfall visible through the lobby's sliding glass doors that look out on a miniature garden.

For years National Semiconductor, 15 miles south of Palo Alto in Santa Clara, has made millions in the silicon-chip manufacturing business by pinching pennies with linoleum floors, bullpen-type offices and its vaunted low-cost manufacturing. Under the watchful eye of its taciturn Chief Executive Charles E. Sporck, National, in sales of semiconductors, has become the third-largest maker in the U.S. (after Texas Instruments and Motorola, but excluding IBM, which uses all its own output). National's sales should approach $1 billion this fiscal year ended May 31, some 80% of that coming from semiconductors.

So, why the flashy offices for Kvamme? He inherited them last October when Itel transferred its Data Products division to National. National had little choice. Since 1977 it had been manufacturing its Advanced Systems computers, which run on IBM software, but Itel marketed them under its own name. When Itel ran into money problems last summer, National was sitting with $50 million in computers on which Itel couldn't take delivery. National had to move fast to take over Itel's sales force, service organization, customer base and a line of big Hitachi computers which Itel was marketing in the U.S.—not to mention the typically posh Itel office that Kvamme now occupies.

Where National itself is minting money in its shabby quarters, its computer operation will lose about $20 million pretax this fiscal year in its posh surroundings, according to analyst James R. Berdell of Montgomery Securities. Overall company earnings will still be up around 46%, to $49 million or $2.50 a share, because National's basic semiconductor business is booming. But computers will cost the company an estimated 50 cents a share this year, *vs.* the 50 cents they earned last year when it was just a manufacturing operation.

Can National Semiconductor, which made its mark efficiently stamping out a commodity product, step up to the more sophisticated art of marketing full-blown computers? It's something like trying to dress a Sears catalog shopper in Pierre Cardin. So far, the fit is awkward.

Admittedly, 1979 was not a great year to get into computer marketing. In January, IBM surprised everyone by pricing its new midrange computers much lower than expected. National was not

When your company works hard for money, money should work hard for your company.

The Chemical Solution: ChemSphere℠ Consulting.

ChemSphere Consulting puts your company's money to work full-time.

How hard your company's money works depends on how efficiently you collect, use and disburse it. ChemSphere consultants identify and analyze your cash management problems, then give you objective, as well as effective, solutions. So night or day, whether your company's money is here or abroad, you know how to make it work hardest for your company.

ChemSphere Consulting solutions are already working for hundreds of organizations worldwide.

Companies, financial institutions and governments around the world are already profiting from our proven cash management consulting services. And so can you, no matter how unique or complex your cash management problems are.

A team of consultants that's part of the solution, not part of the problem.

ChemSphere cash management consultants are experts who offer you a broad range of experience, from banking and economics to finance and computer technology. They make it their business to define your cash management problems, and to provide objective solutions tailored to meet them.

Tell us about your cash management problems. We'll tell you about the Chemical solutions.

Mention ChemSphere Consulting to your Chemical account officer. Or write W. D. Baird, Jr., Senior Vice President, Chemical Bank, 20 Pine Street, N.Y., N.Y. 10005. Or call us at (212) 770-3600. We'll tell you more about how cash management problems disappear with the Chemical solution.

CHEMICAL BANK

Leader in worldwide cash management.

al Advanced Systems head E. Floyd Kvamme

e computer business, unless you're 20% cheaper than IBM, you don't get in the door."

in the scramble to cut prices. mers, uncertain about what IBM ı store for its new large comput- hich is due sometime next year— ıed to leasing. (Over the longer leasing can be quite profitable; but ıgs less profit to the books in the t is done than outright selling Finally, under their deal, National l over to Itel any profits it made en October and December.

much too early to tell whether Na- can make it as an integrated com- company. The company badly to break out of the mundane, low- ı world of chip production and into big-time electronic products. ıal's competitors, like Intel and Instruments, are all moving ahead their own plans to be more than ıakers.

ıonal has successfully broken out ts computerized point-of-sale ter- s, a market in which it is well ished. But its foray into calculators atches in the mid-Seventies cost ımpany an estimated $11 million in 1977 before it severely re- ıed in that business.

ıonal had seriously considered end- relationship with Itel and setting own marketing organization. "We greed to disagree with Itel about a efore the merger," says Kvamme, a marketing man who came over from the semiconductor side to head up the newly formed Advanced Systems subsidiary in October. "It was probably greed on both our parts. Each of us thought we were two-thirds responsible for the success of the other."

What Kvamme has been painfully discovering since October is that marketing computers is a lot different from marketing semiconductors. By and large, semiconductors are commodity products bought primarily for price and quality. Not so computers, where an IBM decision may not be cheapest but is usually safe. "I've talked to people who are spending a million dollars more than they had to by buying IBM," complains Kvamme. "That's incredible based on where I come from. In the parts business you are intimate to the cost of the guy's product. But in the computer business, unless you're at least 20% cheaper than IBM, you don't get in the door."

Nor do National's skills in low-cost manufacturing help that much. "In computers, manufacturing is only 25% of the cost," explains Dr. Handel H. Jones, market researcher for Gnostic Concepts. "National has no expertise in the 50% to 60% which is the software, support and maintenance. The philosophy of the company is geared to manufacturing, not marketing."

In computer development, National's record is spotty. One system was announced and then scrapped when it could not match IBM, and another computer project was scratched recently. The big Hitachi machines—the top of the line of what Itel formerly marketed—are one of the strongest sellers; but how long will it be before cautious but ambitious Hitachi decides to do its own marketing in the U.S.?

For now, Kvamme is still trying to digest what his company bit off last fall. Some key Itel salespeople, unable to adjust their cosmopolitan San Francisco living standards to National's uptight, cost-conscious Silicon Valley mentality, have left or are reported to be considering a change.

"We have had our problems, there's no question about that," admits Kvamme. "There's also no question that we have to establish ourselves as a credible computer manufacturer. The funny thing is, everyone wants us to succeed but they all don't want to buy from us. I guess they're glad there's Daniel Boone, but they don't necessarily want to go to Boonesboro." He looks around his wood-paneled new office, and you can almost hear him wishing he was back pacing the bare floors in stripped-down Santa Clara. "I don't think all this makes you more efficient," he says. ■

Kemper Corp. hopes to squeeze past what could be a tight time in property and casualty insurance. How? By being very choosy.

No time to take chances

By Bob Tamarkin

"THIS IS NOT A SCIENCE, it's an art," philosophizes Chairman Joseph E. Luecke, 52, the determined chief executive officer of Long Grove, Ill.-based property-casualty insurer Kemper Corp., which has annual revenues of $1.1 billion. "We will not write our products at an underwriting loss." Then, a moment later, shirt-sleeved Joe Luecke gets down to the realities of the business: "I'd be a fool to tell you that it [price-cutting] doesn't go on. There's a lot of slippage, and the best you can do is set the tone from the top."

Inflation and price-cutting are threatening a rate war that could bring a repeat of the property-casualty industry's disastrous underwriting years of 1974 and 1975. High interest rates seduce insurers into underwriting risks at cut prices for the sake of investible cash flow that the premium dollar can generate (FORBES, *Apr. 28*). Last year the industry as a whole had an underwriting loss due, in part, to severe winter storms in the Midwest and hurricanes David and Frederic. Kemper's loss amounted to $17.9 million compared with a $5 million underwriting profit the previous year. That was a swing of nearly $24 million, though a higher investment yield from Kemper's portfolio more than balanced it, resulting in property-casualty earnings of $52 million, up 6.5% for the year.

Despite a relatively mild winter, the trend continued into the first quarter of this year as Kemper posted a $10.7 million underwriting loss. However, investment income offset the loss, enabling Kemper to end up with operating earnings for its property-casualty busine $9.7 million, a 15% increase ove same 1979 period. Total company ings for the quarter were up 14% $1.44 a share on a 26% increase in enues, to $302 million.

Nevertheless, from his teak-pa office in Kemper's art-bedecked quarters, Joe Luecke calculates the sons why a steady stream of under ing losses means eventual doom f insurer. Such losses, he says, simpl out of hand. With a climbing infl rate, calibrating those losses bec virtually impossible. He explains: "I tion is a devastating thing. We hav billion in losses outstanding. T losses are growing with inflation. If price a product and you're wrong, th hell to pay."

So Kemper is cutting its losses w business has been marginal. This is reason the company recently termin all 152 of its agents in New Jersey w business was slow, hampered by g standing state regulators.

To pick and choose where it wan do business, Kemper relies heavily o five regional companies, each of w restricts its business to a few states. regional strategy helps Kemper a some problem areas that beset othe tional carriers. For instance, Ke stays out of areas that are historicall heaviest by storms. The regionals shun states where regulation is bu some and adequate rates hard to Iowa Kemper, for example, sells in ance mainly in Iowa and avoids Mi sota, Wisconsin and Illinois, w Kemper's Sequoia Insurance Co. Menlo Park, Calif. sells only in rural small-town areas within the state. strategy appears to be working, since regional companies had underwri profits for all of last year and into first quarter.

At the same time, Kemper has tu to writing shorter-term policies. permits rate hikes to go into effect n rapidly. For example, property-casu policies that were written for three y (with a discount if paid in advance) h been converted to annually adiu terms. Automobile coverage—50% Kemper's property-casualty busine has gone exclusively to six-month te

All this is part of Kemper's effort offset the cyclical nature of its prope casualty business. It has done so w some success. A decade ago only 22 Kemper's total income came from side its property-casualty area. Today 40%. Last year Kemper's operating e ings were $6.82 a share with $4.27 f property-casualty. The rest came f life insurance (24% of sales, 14% of p its); reinsurance (10% and 17%); money market funds, asset man ment, annuities, health and safety sulting (a combined 6% and

Joseph E. Luecke, Kemper Corp. CEO and chairman
Price-cutting? "The best you can do is set the tone from the top."

per poured more than $100 million
pital into life insurance operations
ne year to compete head-on with
r life companies. "As the new boy
he street, the most attractive insur-
was term," says Luecke, an avid
is player who likes competition on
off the courts. By selling mainly
, Kemper has sidestepped the poli-
an drain currently squeezing the big
le-life insurers like Equitable and
hwestern Mutual.

t its 25% interest in Gibraltar Fi-
ial Corp., the big California savings
loan, is another matter, at least for
moment. Last year Gibraltar added
ents a share to Kemper's earnings.
year it will turn in an estimated loss
cents a share.

emper Corp.'s parent company is
bermens Mutual Casualty Co.,
ded in 1912 by James Scott Kemper,
94-year-old patriarch and former am-
ador to Brazil during the Eisenhower
inistration. Lumbermens holds 55%
emper Corp. stock. Luecke, a 28-year
per veteran who just completed his
year as chief executive, is the first
Kemper to head the company. There
ill a family-company style at the
lquarters on a 1,000-acre site of roll-
ills, ponds and an 18-hole golf course
to the public. "This is a complicated
," says Luecke. "None of this diversi-
ion reflects on my optimism toward
erty and casualty in the long run."

far, Kemper's inflation strategy
right. Since 1973 premium and oth-
evenues have climbed steadily from
5 million to $1.1 billion last year;
its, from about $20 million to $83
ion; and assets from $300 million to
billion. (FORBES' most recent annual
rt on American industry ranks
per first among property-casualty
panies in five-year sales growth.)
per maintains a comfortable invest-
t posture as well: Roughly 25% of its
ls are concentrated either in cash or
valent and its bonds are concentrat-
n the intermediate range with an
age maturity of 10 to 12 years.

ow about the recent Miami riots and
St. Helens catastrophe? "We'll have
es," says President James W. Har-
, "but they won't be that big." Nei-
Luecke nor Harding argues with an-
ts' expectations that 1980 earnings'
vth will be in the 5%-to-10% range.
t's not to say things couldn't still go
wire in riding out the current cycle.
ding sums it up: "Even though I'll
e to gulp a couple of times in the next
12 months when we approach the
om of the trough, by the last quarter
981 we should be on our way up." But
, Harding concedes he is no prophet:
predicted at last year's annual meet-
that interest rates would peak in the
d quarter of 1979, and was off by a full
months. ■

EXPLORATION
Brock
CORPORATION

PROFESSIONAL PETROLEUM EXPLORATION

NEW ORLEANS, LA
MAIN OFFICE
231 CARONDELET ST./5TH FLOOR
NEW ORLEANS, LOUISIANA 70130

OKLAHOMA CITY, OK

New Mint Proof Edition!

1980 Adam Smith TENPIECE™

available thru June 30, 1980

- Contains one-tenth ounce of pure gold plus silver and copper.
- Exact size is, diameter .698 inches, finish thickness .042 inch and weight is .115 troy ounces
- A U.S. Mintage. In 1979 we produced over 200,000 gold pieces, making us the largest gold mint in the U.S.A.

For immediate quote and to order - Call
Toll FREE 800-821-5648
In Missouri Call 816 931-1629
or for more information write
GOLD STANDARD CORPORATION
1129 West 41st St., Kansas City, Mo. 64111

PEPSI
7UP

It takes more than advertising to move a good product.

It takes packaging. In fact, 75% of all consumer goods come in a package.

And we're the people who produce the containers that protect and promote the world's best-selling brands.

You name it. If people buy a lot of it, it probably comes in O-I glass, plastic, corrugated, metal or composite packaging.

Plants In Everybody's Backyard

O-I operates more than 100 plants from California to Maine. This nationwide network makes especially good sense to our large, multi-plant customers, who can count on local service just about anywhere.

Anywhere? How about Seville, Spain. Or Sao Paulo, Brazil. O-I also serves international customers from facilities in 23 countries around the globe.

O-I is a major producer of corrugated boxes, with 21 plants from coast to coast.

O-I is also a market leader in composite cans for snack foods.

Customers like O-I's vertical integration, too. Our million-plus acres of woodlands. Four containerboard mills. And an assured source of plastic resin.

Fresh Thinking Is Part Of The Package

Creative thinking comes in O-I packaging, too. Our innovations include the new Single Service Plasti-Shield® soft drink bottle. Clic-Loc® child-resistant closures. Ultrastak™ corrugated and much more.

In all, we hold more than 4,000 packaging patents worldwide. And we spent more than a half-billion dollars in the 70's on research, development and engineering.

Expanding In Foam

One of our most dramatic growth areas is in expanded polystyrene—the versatile foam plastic so popular for food and beverage containers.

Major brands in fast food and vending look to O-I's Lily Division for leadership in foam technology. And a beautiful line of plastic and paper containers for everything from burgers to dessert.

In short, what O-I packaging can do for a brand makes a very moving story.

O-I is a leader in plastic beverage bottles—with exclusive manufacturing processes.

Our Lily Division keeps the fast food industry supplied with convenience packaging.

We have what it takes.

OWENS-ILLINOIS

Toledo, Ohio 43666

Few industries have been more dismal lately than nuclear power or electric utilities. So why is Combustion Engineering doing so well?

Four-fuel parlay

By Steven Flax

PROSPECTS FOR THE electric power companies haven't been encouraging lately. The development of nuclear power is on hold. Estimates of peak load growth for the period 1980-1990 are no higher than an average of 3.5%, half the rate of yesteryear. Many power plants are deteriorating, as are the cities they serve. Even at today's OPEC prices, synfuel is treated as a political football. So, how are things going for that major supplier to the industry, Combustion Engineering of Stamford, Conn.? Great. C-E's income was up 21.6%, to $97.6 million in 1979 on $2.8 billion sales. Nor was 1979 some kind of fluke. For the period of 1975-79, return on equity grew from 12.6% to 18.5%. As of Mar. 31, 1980, the company had a backlog totaling $3.03 billion, about a full year's worth of work, comparing favorably with the rest of the industry.

No, C-E doesn't have any magic formula for bucking the downtrend in power plant expansion. What it does have is a boss, Arthur J. Santry Jr., who had the foresight to see what was coming and move hard and fast into an industry whose prospects were brightening even faster than power generation's prospects were dimming.

It all started in 1976 with the $66.9 million acquisition of Gray Tool Co., a maker of wellhead control equipment and systems for drilling and production of oil and gas. Gray Tool is the technology leader in equipment used on very deep-zone gas wells of the kind being developed in the overthrust belt of the Rocky Mountain region, for high-pressure wells in Texas, Oklahoma and Mississippi, and in the North Sea, where more than half of all drilling platforms use Gray's well control equipment. Santry, age 61, CEO of Combustion since 1963, followed the Gray acquisition by branching into other related energy fields with the acquisition in 1977 of Vetco, a Ventura, Calif.-based offshore drilling equipment and service company. Another subsidiary, Natco, is also in offshore drilling and is the leading supplier of equipment used to stimulate production of untapped reserves of heavy crude, which becomes increasingly important as lighter crude gets scarcer.

Santry of C-E
Growth is where you find it.

In these C-E subsidiaries, orders for equipment and services were up in the first quarter some 60% over last year's. This year they will account for close to 25% of C-E's revenues and about 30% of its net profit, according to Kay H. Reardon, an analyst at A.G. Becker.

In addition to its stake in petroleum drilling, C-E is deep into refinery work with its Lummus Co. subsidiary, a construction and engineering outfit that has been in the fold since 1957. Proposals for refinery rebuilding work and petroc cal plant additions in North America a very high level and rising. Last ye had two bids out for refinery work; s weeks ago it had 20 proposals out ar received inquiries for 60 others. Lur owns one of the two proven techno that upgrade heavy oils to make acceptable as feedstocks for petr and petrochemical processing. Since refineries were designed to handle low-sulfur crude, currently in sh supply, there's likely to be lots of r over construction so the older refir can handle other grades of crude. mus is also in a $1.1 billion joint ve with Germany's Thyssen Rheir Technik to build a petrochemical now nearly completed, for Iraq, and ethylene plants for China.

Santry is putting his money whe growth is: More than half of the million capital investment adde planned since 1975 has been commit the oil-service sector. Santry says would seriously consider acquiring a managed and willing energy- or reso related company of significant size.

Santry still has some losses to from C-E's nuclear business. The pany has built 8 plants and has orde components for 15 more. Work is ceeding on those orders, but it's a like watching a glacier move. Thr conservative accounting and using nuclear shops for the fabrication of f fueled systems as well, C-E has repc ly reduced its losses on nuclear fron million in 1977 to $8 million in 197 addition it is getting some revenue nuclear fuel fabrication.

Unlike some of his compet Santry refuses to give up on nuclear. will be in a position to satisfy th quirements of the market when it come back. And it will."

Further in the future C-E will be if synthetic fuels from coal become f ble on an industrial scale. C-E's Lum is currently engineering the nation's commercial-size coal gasification p a $1.5 billion project in North Da powered by local lignite (brown c Moreover, a C-E de-ashing process i corporated in one of the nation's coal liquefaction pilot plants.

Until that future arrives, C-E's po plant business will be predomina coal-fired, where the company has nificant expertise and market leader Revenues there have continued tc crease, albeit slowly, and backlogs running well over $2 billion.

In the first quarter C-E's earnings up 16%, to $1.29 a share, and, says F don, prospects for the full year—reces or no—are $6.80 a share, up 14%. Th no sleepy old boiler manufacturer b technologically advanced company w strong foothold in the greatest gro business of the 1980s—energy. ■

How to cover more territory by covering less ground.

A salesman on the road is likely to see e road than sales.

So it stands to reason that the best way et your sales off the ground is to get r salesmen off the ground.

In a Beechcraft business airplane.

Beech has put together a packet of infor- ion that tells you not only how you can get business aviation, but why you should.

It isn't glowing rhetoric, but honest, objec- facts and figures, including case histories let you see how other companies, large small, have successfully solved the same blems you're facing now.

A Capital Recovery Guide, for example, ws how the net capital cost of a Beechcraft be a lot less than you might think. And operating costs can actually be less than re paying now for travel.

At the same time you're increasing both range and frequency of your sales calls.

Covering more territory becomes less of a problem when you don't have to contend with highways and the high cost of commercial travel.

Send for your free Management Guide to Business Aviation in the '80's and get your company off the ground.

Write us on your company letterhead, and we'll send you everything you need to decide whether your company can profitably use a Beechcraft. And which Beechcraft suits you best. Write to: Beech Aircraft Corporation, Dept. K2, Wichita, Kansas 67201, and please mention if you're a pilot. If you'd rather call, call collect and ask for Dick Schowalter, Jr., (316) 681-7072.

Member of General Aviation Manufacturers Association

e Beechcraft Duchess. A 4-seat, all business twin that combines speed, fuel efficiency and Beechcraft comfort. Up to 197 mph.

Multiplicity makes for strength.

Just as the multiplicity of services offered by a universal bank gives it its strength. Be it export financing as a supplier or buyer credit, letter of credit confirmations, syndication of major Euroloans or lead managing public bond issues, Deutsche Bank gives even the most complicated forms of international financing the strong foundation they need.

Let the strength of universal banking support your business.
Come to Deutsche Bank or call:
New York (212) 940-8000
Toronto (416) 865-0630

Deutsche Bank
A century of universal banking

Central Office Frankfurt am Main/Düsseldorf. Branches: Antwerp, Asunción, Brussels, Buenos Aires, Hong Kong, London, Madrid, Milan, New York, Paris, São Paulo, Tokyo; Representative Offices: Beirut, Bogotá, Cairo, Caracas, Istanbul, Johannesburg, Lagos, Mexico, Moscow, Nairobi, Osaka, Rio de Janeiro, San José, Santiago, Sydney, Tehran, Tokyo, Toronto; Subsidiaries: Hong Kong, London, Luxembourg, Singapore

How can you earn more from your stocks than they earn on their own?

Merrill Lynch says, consider your options.

Right. Options. Stock options.

You can earn extra income on stocks you own—on top of your dividends—by selling options on the stock. The option buyer pays you a premium that gives him the right, for a given period of time, to buy the stock at a predetermined price.

You can use options as partial protection against a market decline, or for leverage in buying additional shares at advantageous prices. Obviously, options don't guarantee a profit; but they can be a big help in a wide range of investment strategies.

And that accounts for part of the reluctance of many investors to investigate options: their very versatility implies complexity. But that's not always the case.

Actually, the hardest part of understanding options is the element of *time*. Unlike stocks, options expire. So you can't just put your money into them and leave it there to grow.

A breed apart

Timing is crucial. You have to know the market and constantly monitor both the options and the underlying stocks.

That's something Merrill Lynch is well equipped to help you do. Merrill Lynch specialists work exclusively on the options needs of our retail customers. They keep an eagle eye on the market. They generate actionable ideas and timely information. Each day the market is open, they wire every Merrill Lynch office an Options Analysis Report featuring opinions on the most overvalued and undervalued options of the day.

And, most important, our options specialists are instantly accessible to your Merrill Lynch Account Executive to answer your questions on options and help develop your portfolio strategy.

Options may or may not be suitable for you. But if you're willing to explore new avenues of investment, you may find they give you just the flexibility you've been looking for. Find out more about the rewards and risks from "The Merrill Lynch Guide to Writing Options" and the prospectus of the Options Clearing Corporation.

We'll send you both if you call toll-free 800-223-1910 (in New York State, call 800-522-5605). Or visit your local Merrill Lynch office.

And find out just what your options are.

Merrill Lynch

© 1980 Merrill Lynch Pierce Fenner & Smith Inc. Member SIPC.

e we going to have too much natural gas? r not enough? It all depends on which ener- expert you talk to these days.

Natural gas pains

By Carol E. Curtis

N ASSIGNING PRIORITIES to users of natural gas, the federal government has long put power plants at the bot- n. Bureaucrats reason that other fuels, narily coal, are cheaper and more ntiful for electric utilities to burn in ers. This was the thinking behind Fuel Use Act of 1978, which prohib- existing power plants from burning after 1990, and prevents new plants n burning gas as their main fuel.

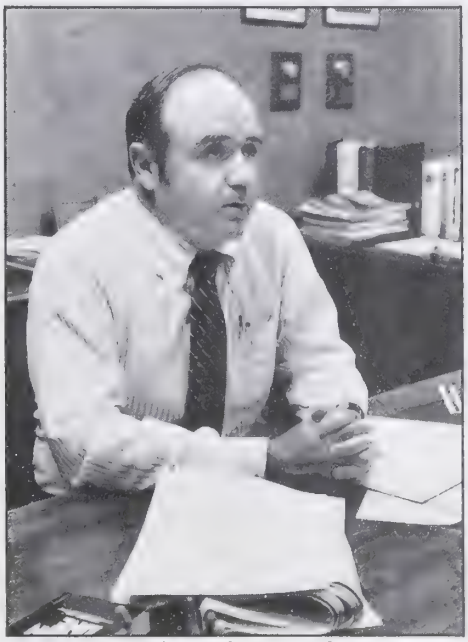
ut in the wake of an improving gas ply situation, many in the industry starting to question that assumption. least one prestigious new study con- des that by 1990 gas supplies will be ble enough to allow utilities to burn ost as much gas as they do now.

We think the government will re- d the Fuel Use Act," says John R. her, president of Houston-based Pace Consultants & Engineers, Inc. sed on logic, they should."

1979 utilities burned about 3.5 tril- cubic feet of natural gas—17% of the l. Dosher projects that by 1985 gas plies will be large enough, and stable ugh, for utilities to consume 3 trillion ic feet. By 1990 they will still be able urn over 2 trillion cubic feet. "There st no reason to force utilities to make ssive investments to convert to coal," her maintains.

study done by Pace for its private nts shows that through the year 0, total U.S. gas supplies will range ween 20.5 trillion and 21 trillion cu- feet—about the same amount that U.S. is consuming now. But because conservation in home heating and er priority uses, there may actually be e extra gas available to utilities. her predicts that this will enable a nber of utilities to drop their plans to vert from gas to coal.

he study cites three reasons for the around. First, the increased drilling has resulted from gradual deregula-



Pace Co. President John R. Dosher
Is Washington ignoring the obvious?

tion of gas prices has produced more gas than people thought. The American Gas Association (AGA) reported in May that 1979 additions to U.S. gas reserves were 14.3 trillion cubic feet, a 12-year high and 35% over 1978. Deep gas (below 15,000 feet) is already deregulated, and the frenzy of new drilling has produced a large number of gas finds now coming on stream—meaning domestic production will continue to increase.

Conservation is also causing a substantial reduction in the residential, commercial and industrial gas sectors, the Pace report points out. Residential use of gas has declined 13% since 1971, because of price and changing consumer attitudes. All told, conservation is responsible for cutting gas consumption 1% to 2% a year, according to the AGA.

But the biggest reason for optimism, the Pace study says, is imported gas from Mexico. In 1979 the U.S. imported no Mexican gas. By 1985 Pace sees Mexican gas imports rising to at least 1 trillion cubic feet, and by 1990 to 1.3 trillion cubic feet. "Mexican gas could become 8% of total U.S. supply by 1990," predicts Dosher. "The potential has been perceived by hardly anybody."

The Energy Department's Federal Energy Regulatory Commission, which regulates gas prices, is skeptical. FERC officials agree that Mexico has enough gas to export in large amounts, but they say the price, now $4.47 per mcf, is prohibitively high for utilities. Mexican gas also has a negative political impact, according to Walter W. Schroeder, executive assistant to FERC Chairman Charles B. Curtis. "We are seriously questioning whether we want to slip into a position of dependence on imported gas," Schroeder says, adding, "Electric utilities will never burn imported gas."

Disagreeing, the Pace study argues that Mexico is finding so much gas the country will have to export large amounts. Dosher puts Mexican gas reserves as high as 300 trillion cubic feet, about 90 trillion more than the U.S. "Mexico literally cannot absorb all of its gas. They will be forced to go into the [U.S.] market," he says.

Dosher also points out that although Mexican gas is now priced over twice as high as average U.S. gas, it is still cheaper than imported oil. Also, utility gas users pay only the average distribution cost, not the high imported price.

The Pace report flies in the face of at least one recent report on oil and gas supplies. The Petroleum Industry Research Foundation, Inc., an oil-supported research group, says natural-gas use will be limited by available supplies through the 1980s. In its study titled *Oil in the U.S.: Energy Perspective,* the group says that because of short supplies, utilities will be cutting back on their use of gas by 60% to 65% over the next decade.

If gas-consuming utilities had a choice, there would be no contest. Though coal is cheaper, natural gas has long been viewed as the fuel of choice from every other standpoint. It is easier to transport and comes with none of the environmental headaches that continue to slow coal's growth.

So, utilities still hope the government will change its mind and reopen the gas spigots. A typical case is Public Service Co. of Oklahoma, a utility now 80% gas-fired. Faced with the federal mandate to get off gas, the company has adapted one plant to burn oil, and started up a new coal-fired plant. But it is not resigned to eliminating all gas-fired units. "We are waiting to see what gas we can hang on to," says a company spokesman.

Another big gas user, Oklahoma Gas & Electric Co., still hopes to be 50% gas-fired by 1990, despite the Fuel Use Act. Says a spokesman for the utility, "If we have to build replacement units, we will.

But it will be very expensive."

So far, there is no indication that the Energy Department will ask Congress to back off the Fuel Use Act. Says FERC's Schroeder, "A short-run improvement [in supplies] has been mistaken for a long-run improvement. I don't believe statistics support the view that we have turned the corner on gas supplies."

However, many oil and gas producers say they are finding so much gas that if utility contracts dry up, they will have trouble marketing the fuel. Since the price of deep gas has been free from controls, Blocker Energy Corp., a 2½-year-old drilling and exploration company in Houston, has expanded into a $50 million-a-year company. Now, Blocker isn't sure where future gas customers will come from. "Like most small independents, we have more surplus gas than have oil. But utilities were told no burn gas," says President John Blocker. "So they are not tying into as fast as they could. Until we sign th contracts, there are reserves that will be produced." All of which leaves situation confused, but then, as far as energy game is concerned, what's r about that? ■

For Panhandle Eastern, LNG spells trouble. Add Algeria to the mix, and the result is . . .

Never a dull moment

RICHARD L. O'SHIELDS, chairman and CEO of Houston-based Panhandle Eastern Pipe Line Co., is deep into geopolitics these days. He's wondering whether the socialist bureaucracy at l'Enterprise Nationale Sonatrach, the Algerian national energy company, will honor the 20-year contract they signed back in 1975. The deal called for 3.3 trillion cubic feet of liquefied natural gas (LNG) to be sold to Panhandle at prices tied to fuel oil—now $2.67 per million BTUs—beginning early in 1981. The prospects are very iffy. O'Shields is dealing with an unpredictable gang that no longer thinks the price is right.

The Algerians have already reneged on a similar LNG deal with El Paso Co. They tried to gouge out a rate increase 3 times the agreed-upon $1.95 per million BTUs. The U.S. government said no; consumers shouldn't have to shoul the burden of that price plus heavy tra portation and processing char Miffed, Algeria's bosses threatened stop all LNG exports anywhere in world. O'Shields had planned to about 165 billion cubic feet of gas fr Algeria a year—or about 17% of the t lion cubic feet he needs to serve utilities in 12 states along Panhand nearly 16,000 miles of pipeline.

He will have to scratch to replace t if the Algerians carry out their threat, with an improving supply picture in U.S., he probably could. The big probl is the huge capital investment Panhan is making in LNG tankers and termi facilities—$242 million this year alo Ultimately, the terminal the company building at Lake Charles, La. alone v cost around $430 million.

If there are prospects for more natu gas around domestically, why is Panh dle going the LNG route at all? Beca back in 1975, when the deal was stru things were a lot different. Then, U.S. had a gas shortage. Domestic was still price-controlled and suppl were drying up. Panhandle's reser were down to 7.4 trillion cubic feet, ba ly half what they had been in 1969. cause of conservation and increased dr ing since deregulation, additions to U gas reserves last year were at a 12-y high, and Panhandle's have been rebu to nearly 10 trillion cubic feet.

O'Shields spent heavily to get th extra supplies—altogether he has inve ed $500 million in leases and drilli since 1975. Panhandle's Anadarko a Pan Eastern exploration and producti subsidiaries now have 2.7 million ac under lease in the U.S. and Canada a 36,000 offshore in the Gulf of Mexi The investment is paying off: 30% of t exploratory wells in 1979 have produc hydrocarbons.

One of Panhandle's best bets looks li its 20% interest in a 23,000-acre Supe or Oil tract in Louisiana's Lower Tus loosa Trend, one of the current hot exp ration regions for gas. Analyst John Ry of Houston-based Rotan Mosle says this tract: "It could be very significa for Panhandle. Some companies drilli there hope to find half a trillion cu feet of reserves."

To be sure, O'Shields' policy of sprea

Panhandle Eastern Chairman Richard L. O'Shields

Can the Lower Tuscaloosa Trend offset an Algerian welsh?

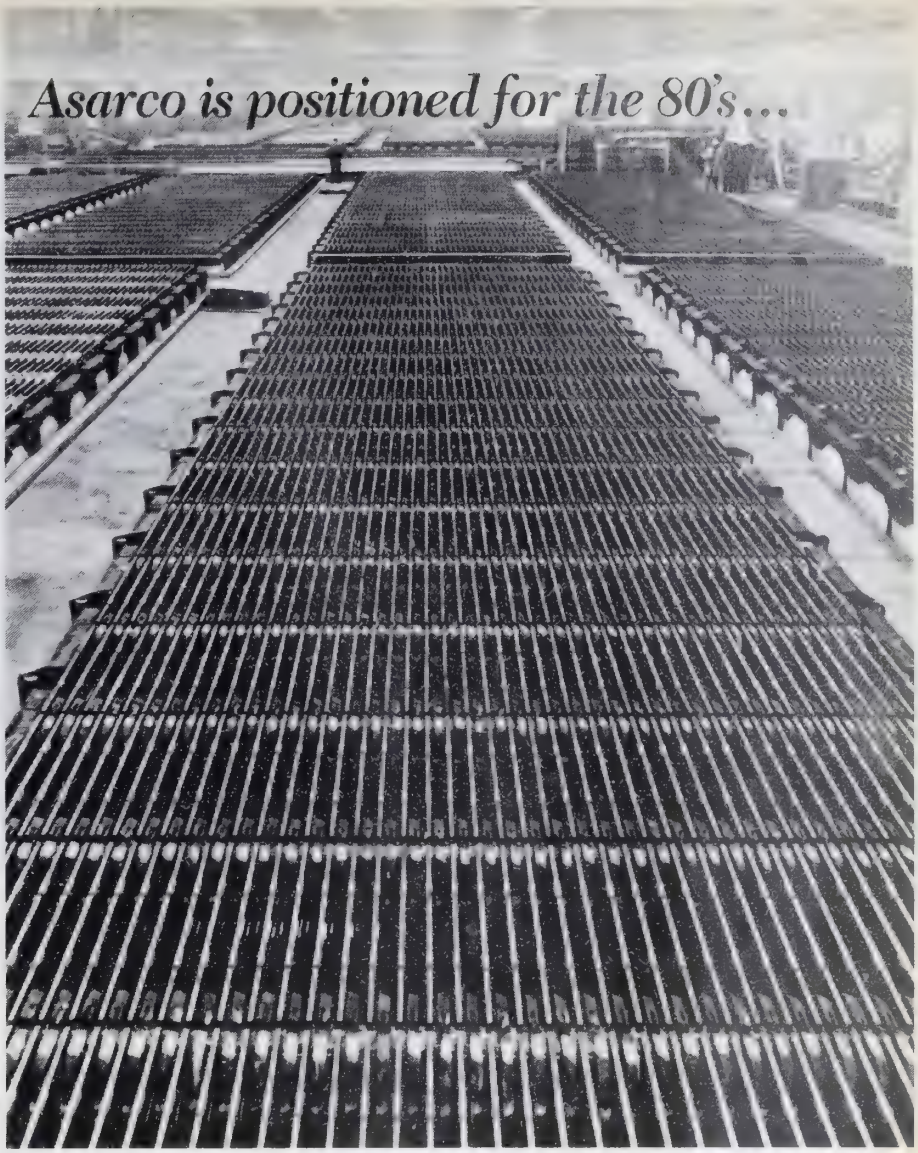
is risks—and his chances for suc-
—by taking pieces of other compa-
action hasn't always worked out.
10% of Mobil's Baltimore Canyon
ge produced no gas and a $34 mil-
loss. And so far, his diversification
coal—he bought the Youghiogheny
io Coal Co. for $78 million in stock
76—has been a big disappointment.
almost no market for its high-sulfur
Panhandle had to write down $17
on last year, or 48 cents a share, on
alue of its 400 million tons of coal
ves. But O'Shields hasn't given up
al. He's developing a 150 million-
ow-sulfur coal mine in Wyoming
Peabody Coal Co. But that so far
t contributed to earnings.

art from Panhandle's nice little
ne in contract drilling—about 7%
ofits on 4.4% of the company's $2
n in revenues last year—exploration
production are the most promising
of the company now. That's the
r reason overall earnings were up
in the first quarter when gas pipe-
earnings, half the total, were *down*
because of lags in rate increases and
mild winter. That is ironic: *Supplies*
s, the biggest dark cloud in 1975
O'Shields cut that deal with the
ians, have now become one of the
st bright spots.

less Panhandle has to take a com-
writeoff on its Algerian invest-
, analysts are predicting Panhan-
earnings could rise to more than
a share by 1983, *vs.* the $4.01 it
d last year. But the company badly
to get that Algerian gas into its
ine system. Will the Algerians hon-
eir Panhandle contract at $2.67
they are demanding $6 from El
And if they do hike the price, will
J.S. let Panhandle pay it? Who
s? This is the realm of politics, not
omics.

pping some chewing tobacco into
mouth, O'Shields, a 53-year-old pe-
um engineer with a master's degree
Louisiana State University, says he
s the Algerian LNG *will* flow. His
dence is based on the fact that the
market is limited; outside the U.S.,
France and Japan now can handle
pecial cryogenic tankers. Besides,
lgerians have invested $12 billion
r in liquefaction plants, tankers,
ge and pipelines at their end.

so far they're hanging tough. They
refused to load a single tanker for El
for example, since the end of
h, and at least one of El Paso's cus-
rs, Columbia Gas System, Inc., has
o reduce gas shipments to its own
mers. A great deal depends on Alge-
nscrutable and often erratic govern-
. Dick O'Shields knew that when
gned the deal five years ago. But at
ime there didn't seem to be too
choices. ■



with **the facilities to produce essential metals.**

In the decade of the 80's, America's need for nonferrous metals is expected to increase at a steady pace. As the world's largest, most diversified custom smelter and refiner, Asarco is in a good position to help meet the nation's demand for copper, silver, lead, zinc and other metals.

Many mining companies do not have the facilities to convert their ore into metals. To service them, and to process the ore from its own mines, Asarco operates six smelters and four refineries in the United States. Our Amarillo, Texas, copper refinery and our lead smelter and refinery in Glover, Missouri, are the most modern in the nation.

In terms of refined metal production in 1979, Asarco ranked first in the U.S. in silver, second in copper and lead, and fourth in zinc.

For more information on Asarco, write for the latest copy of our Fact Book. ASARCO Incorporated, 120 Broadway, New York, N.Y. 10005.

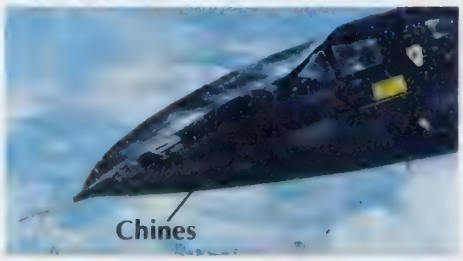
ASARCO
Metals & Minerals

Shaping new world

Lockheed knows how.

The aircraft you see above—the SR-71 and the L-1011 TriStar—are worlds apart in performance, yet each represents a significant aerodynamic advance.

The SR-71 flies for the Strategic Air Command—higher, faster than any other aircraft. Look at the chines on the front of the SR-71 at the right. Without them, most of the "lift" would be in the rear—and the aircraft would dive as it flew. With the chines, lift also is spread across the fuselage, helping the SR-71 to cruise over 2000 mph. The SR-71 was the first operational aircraft to use chines. Now you find them on advanced fighters.



The Aerodynamic Fuel Saver.

A unique aerodynamic advance on the L-1011 TriStar is helping airlines save fuel. Note those long wings. They've been lengthened nine feet since the L-1011 first flew.

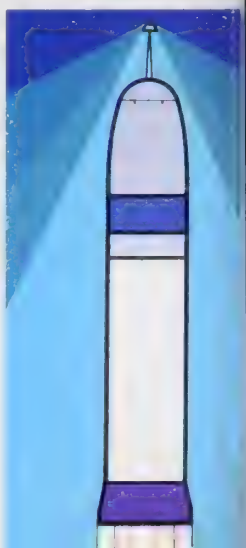
An exclusive system of computer-driven Active Contr Ailerons made this possible without costly, time-consum redesign. Automatically, they work in flight to reduce wi structural loads, decrease drag, produce a smoother ride—and save enormous amounts of fuel over the life o each L-1011.

In the future, other jetliners will have Active Controls, after they first appeared on the L-1011.

The Aerodynamic Range Stretcher.

The Navy told Lockheed that its newest fleet ballistic mi Trident, must have twice the range of the earlier Poseido But Trident's overall physical dimensions could not be ar larger than Poseidon's.

This meant Lockheed had to give Trident a blunt nose. (Poseidon had employed a sharp, aerodynamically efficient nose.) This also meant more aerodynamic drag—and drag works against range.



The solution: fool Mother Nature. Lockheed engineers developed an ingenious telescoping spike that extends more than four feet and locks into place at a precise moment after Trident is launched.

Instead of flying through the atmosphere with the blunt nose slamming into air, a small disc

ont of the aerospike diverts airflow and creates the
namic illusion that Trident is bullet-shaped. This
long with other advances, enabled Lockheed to meet
y's requirement of doubled range.

Airlifter Afterbody Champion.

rs are a special breed. To airdrop large equipment,
ed wide rear doors that create a flat, two-dimensional
. To provide fast, easy loading, their cargo decks must

C-5 Afterbody

hug the ground—and this means airlifters need a
upswept fuselage afterbody to let the tail clear the
on takeoff, particularly short field takeoff. Both the
surface and upswept afterbody create aerodynamic
at you do not encounter in passenger jetliners.
caused the first great airlifter, Lockheed's C-130
es, to have 10% of its overall drag in the afterbody.
linking of structural, mechanical and aerodynamic
enabled Lockheed to reduce afterbody drag on the
great airlifter, the C-141 StarLifter, to 3%. In the third
rlifter, the huge C-5 Galaxy, Lockheed engineers
d afterbody drag down to an incredible 1%.

The Aerodynamic Lift/Drag Champion.

In aerodynamics, lift is good, drag is bad. The more lift and the less drag, the more efficient the aircraft. And that's where the U-2 reconnaissance aircraft stands out. Those long, slender wings give it the highest lift-to-drag ratio of any operational powered aircraft in the world. But there's even more to the U-2's stellar record. The wings are so successful, in part, because they are extremely light in weight. Manufacturing those feathery wings was as great a triumph as designing them.

The U-2 story is far from over. An advanced version, the TR-1 recently entered production at Lockheed.

What's next? Lockheed's past and present record says new advances are coming, in many forms of flight.

Lockheed

NEC. THE COMPUTER AND COMMUNICATIONS COMPANY

that's the world's #1 supplier of INTELSAT earth stations.*

Developing and installing a superior earth station for international satellite communications requires a broad spectrum of expertise. By integrating computer and communications technologies into a powerful whole, NEC has emerged a world leader not only in earth stations but also in other technology-intensive areas that impact and enrich our way of life. This unique blend of capabilities has earned NEC the trust of customers in over 130 countries.

*Source: Survey conducted for the U.S. Department of Commerce published in 1976 and World Telecommunications II published in 1980 by Arthur D. Little, Inc.

NEC

Nippon Electric Co. Ltd
Tokyo, Japan

re's no such thing as a painless recession. Here are 35 companies t are likely to feel pain; and 35 others that probably won't.

Who's hurt, who's not

Statistical Spotlight

NOVEMBER FORBES published esti- ated 1980 earnings for a large num- r of public companies, based on Jones & Ryan's *Institutional s Estimate System*. But views have ed quite radically in the past six s and literally hundreds of corpo- rnings estimates have been scaled downward by analysts. Using the Lynch Jones & Ryan service again, FORBES herewith lists 35 companies whose earnings have been downgraded most by analysts; and 35 others where analysts have *raised* their estimates dramatically. Downgrading is common in savings and loan stocks, autos, auto parts, tires. Upgrading is fairly widespread in silver, copper and energy.

A word of caution: There are frequently wide variations in estimates for the same company by different analysts. The figure given here is an *average* estimate. So don't attribute too much precision to the figures. They are useful nevertheless, past experience showing that they have a reasonably high degree of predictive value. —*Maria Latorraca*

Downward revisions

Earnings estimates for these 35 companies have been revised downward

pany (fiscal year ended)	% decrease in analysts' estimates over six months	Earnings per share average of analysts' estimates 1980*	1979*	Recent price	Price/ earnings ratio based on 1980 estimates	Number of estimates	Industry
raltar Financial (Dec)	95%	$0.11	$2.12	9¾	89	8	Savings & loan
lity Financial (Dec)	92	0.22	2.48	7⅝	35	3	Savings & loan
es-Albion (July)	91	0.14	0.06	7½	54	4	Automotive parts
L (Dec)	85	0.43	(2.50)	17⅜	40	14	Airline
d (Dec)	82	(0.02)	9.75	25⅛	def	16	Automotive
eral Automation (July)	80	0.34	0.45	7	21	3	Computers
tern Air Lines (Dec)	78	0.18	2.99	7⅞	44	11	Airline
tmoreland Coal (Dec)	77	0.41	0.26	25¾	63	9	Coal
itable Savings & Loan (Dec)	77	1.19	4.13	17¼	15	5	Savings & loan
eral National Mortgage (Dec)	75	0.81	2.81	16	20	7	Finance
ncial Federation (Dec)	74	1.47	5.34	27⅜	19	5	Savings & loan
ern Air Lines (Dec)	71	0.31	2.10	8⅞	29	12	Airline
board Marine (Sep)	70	0.57	2.00	11⅛	20	5	Leisure products
t Charter Financial (Dec)	69	1.11	3.05	15½	14	10	Savings & loan
stone Tire (Oct)	69	0.47	1.35	7¼	15	8	Tire & rubber
E (Dec)	61	0.64	0.94	7¾	12	7	Electrical equipment
ssey-Ferguson (Oct)	60	1.00	(2.38)	8¼	8	3	Agricultural machinery
at Western Financial (Dec)	57	2.00	4.15	21¼	11	11	Savings & loan
Ahmanson (Dec)	57	2.39	5.11	23⅜	10	8	Savings & loan
ncial Corp of Santa Barbara (Dec)	57	1.41	3.14	15½	11	6	Savings & loan
ANSOHIO Financial (Dec)	56	1.43	3.43	12½	9	3	Savings & loan
thern California S&L (Dec)	52	1.76	3.40	13	7	6	Savings & loan
fornia Microwave (June)	52	0.63	1.17	11¾	19	6	Telecommunications
son & Sessions (Dec)	52	1.80	3.03	8¾	5	3	Freight car equipment
irotech (Mar)	50	1.02	0.19	8⅜	8	8	Pollution control

fiscal years ending June through May of the following year. def-deficit.
ce: *Lynch Jones & Ryan*, Institutional Brokers Estimate System.

Downward revisions

Company (fiscal year ended)	% decrease in analysts' estimates over six months	Earnings per share: average of analysts' estimates 1980*	Earnings per share: 1979*	Recent price	Price/earnings ratio based on 1980 estimates	Number of estimates	Industry
Schlitz Brewing (Dec)	50%	$0.19	$(1.74)	8⅛	43	13	Brewing
Four-Phase Systems (Dec)	49	1.73	3.29	23¾	14	12	Computers
AM International (July)	48	0.90	1.07	17¾	20	7	Office equipment
General Motors (Dec)	47	3.15	10.04	46	15	16	Automotive
Imperial Corp of America (Dec)	47	2.84	5.24	22¾	8	8	Savings & loan
MCI Communications (Mar)	47	0.41	0.20	7¼	18	4	Communications network
Cordis (June)	46	1.52	2.45	22	15	5	Medical supplies
Memorex (Dec)	44	2.18	3.91	11¾	5	3	Computer equipment
Standard Motor Prod (Dec)	43	1.71	1.80	9¾	6	5	Auto parts
American Quasar Petroleum (Dec)	43	0.45	0.25	28⅞	64	4	Oil & gas production

Upward revisions

Earnings estimates for these 35 companies have been revised upward

Company (fiscal year ended)	% increase in analysts' estimates over six months	Earnings per share: average of analysts' estimates 1980*	Earnings per share: 1979*	Recent price	Price/earnings ratio based on 1980 estimates	Number of estimates	Industry
Hecla Mining (Dec)	235%	$7.78	$3.35	26¼	3	3	Silver
Computer Automation (June)	155	2.13	(2.13)	17¼	8	4	Computers
Kennecott (Dec)	102	6.36	3.93	28⅛	4	15	Integrated copper
LTV (Dec)	101	2.53	5.02	10⅛	4	5	Steel
ASARCO (Dec)	93	11.56	8.56	36	3	10	Nonferrous metals
Texasgulf (Dec)	89	6.64	4.05	38½	6	6	Nonferrous metals
Inco (Dec)	87	3.89	1.58	22½	6	14	Nonferrous metals
Newmont Mining (Dec)	86	9.00	7.05	38¼	4	16	Copper mining
Phelps Dodge (Dec)	77	7.05	5.06	31	4	15	Integrated copper
Global Marine (Dec)	71	5.52	4.21	53¾	10	8	Offshore drilling
Earth Resources (Aug)	60	5.63	3.05	27¾	5	4	Oil
Sabine (Dec)	53	2.43	2.19	62	26	6	Oil & gas development
Mitchell Energy & Devel (Jan)	53	2.25	1.70	29½	13	9	Oil & gas production
Ocean Drilling & Explor (Dec)	50	8.42	4.20	111¼	13	10	Offshore drilling
Reading & Bates (Dec)	50	3.98	3.06	39⅝	10	7	Offshore drilling
PSA (Dec)	50	6.63	5.06	23⅛	4	4	Airline
Engelhard Minerals & Chem (Dec)	50	6.35	5.32	30½	5	10	Metals
Cannon Mills (Dec)	47	4.77	4.06	22½	5	3	Textiles
Rowan Cos (Dec)	42	4.51	2.67	50⅞	11	6	Offshore drilling
TRE (July)	41	3.09	2.10	23⅜	8	3	Aerospace
Berkey Photo (Dec)	40	1.03	0.53	3⅛	3	3	Photography
Mary Kay Cosmetics (Dec)	39	3.54	2.62	38¾	11	4	Cosmetics
Royster (June)	39	1.97	0.40	15¼	8	4	Fertilizer
Husky Oil Ltd (Dec)	38	1.18	1.20	12⅝	11	3	Oil
IU International (Dec)	38	2.52	1.91	15⅞	6	4	Utility; transportation
Alexander & Baldwin (Dec)	37	4.57	3.76	29½	7	6	Cane sugar
St Joe Minerals (Dec)	36	5.52	3.46	47½	9	13	Nonferrous metals
Alcan Aluminum (Dec)	36	5.54	5.02	28½	5	19	Aluminum
Union Carbide (Dec)	34	9.59	8.47	43	5	19	Chemicals
Pennzoil (Dec)	34	6.72	4.69	39⅝	6	9	Oil
Zapata (Sept)	32	3.61	2.27	33	9	7	Offshore drilling
Anixter Brothers (July)	32	3.63	2.60	30	8	6	Electrical equipment
Dorchester Gas (Aug)	32	3.96	2.84	29⅞	8	5	Natural gas production
Pioneer Corp (Dec)	31	4.61	3.57	43	9	7	Oil & gas
VF Corp (Dec)	31	4.55	3.90	23	5	6	Apparel

*For fiscal years ending June through May of the following year.
Source: Lynch Jones & Ryan, Institutional Brokers Estimate System

This advertisement is neither an offer to sell nor a solicitation of offers to buy any of these securities. The offering is made only by the Prospectus.

May 22, 1980

10,000,000 Shares

Gulf Canada Limited

Common Shares

(Without Nominal or Par Value)

The Common Shares being offered are presently outstanding shares. No part of the proceeds from such sale will be received by Gulf Canada Limited.

Of the 10,000,000 Common Shares, 6,500,000 are being offered initially in the United States and countries other than Canada.

Price $23 per share

Copies of the Prospectus may be obtained from any of the several underwriters, including the undersigned, only in States in which such underwriters are qualified to act as dealers in securities and in which the Prospectus may legally be distributed.

The First Boston Corporation

Merrill Lynch White Weld Capital Markets Group
Merrill Lynch, Pierce, Fenner & Smith Incorporated

Blyth Eastman Paine Webber Incorporated

Goldman, Sachs & Co.

Salomon Brothers

Bache Halsey Stuart Shields Incorporated

Bear, Stearns & Co.

Dillon, Read & Co. Inc.

Donaldson, Lufkin & Jenrette Securities Corporation

Drexel Burnham Lambert Incorporated

E. F. Hutton & Company Inc.

Kidder, Peabody & Co. Incorporated

Lazard Frères & Co.

Lehman Brothers Kuhn Loeb Incorporated

L. F. Rothschild, Unterberg, Towbin

Shearson Loeb Rhoades Inc.

Smith Barney, Harris Upham & Co. Incorporated

Warburg Paribas Becker A. G. Becker

Wertheim & Co., Inc.

Dean Witter Reynolds Inc.

Of the 10,000,000 Common Shares, 3,500,000 are being offered initially in Canada by a Canadian group represented by:

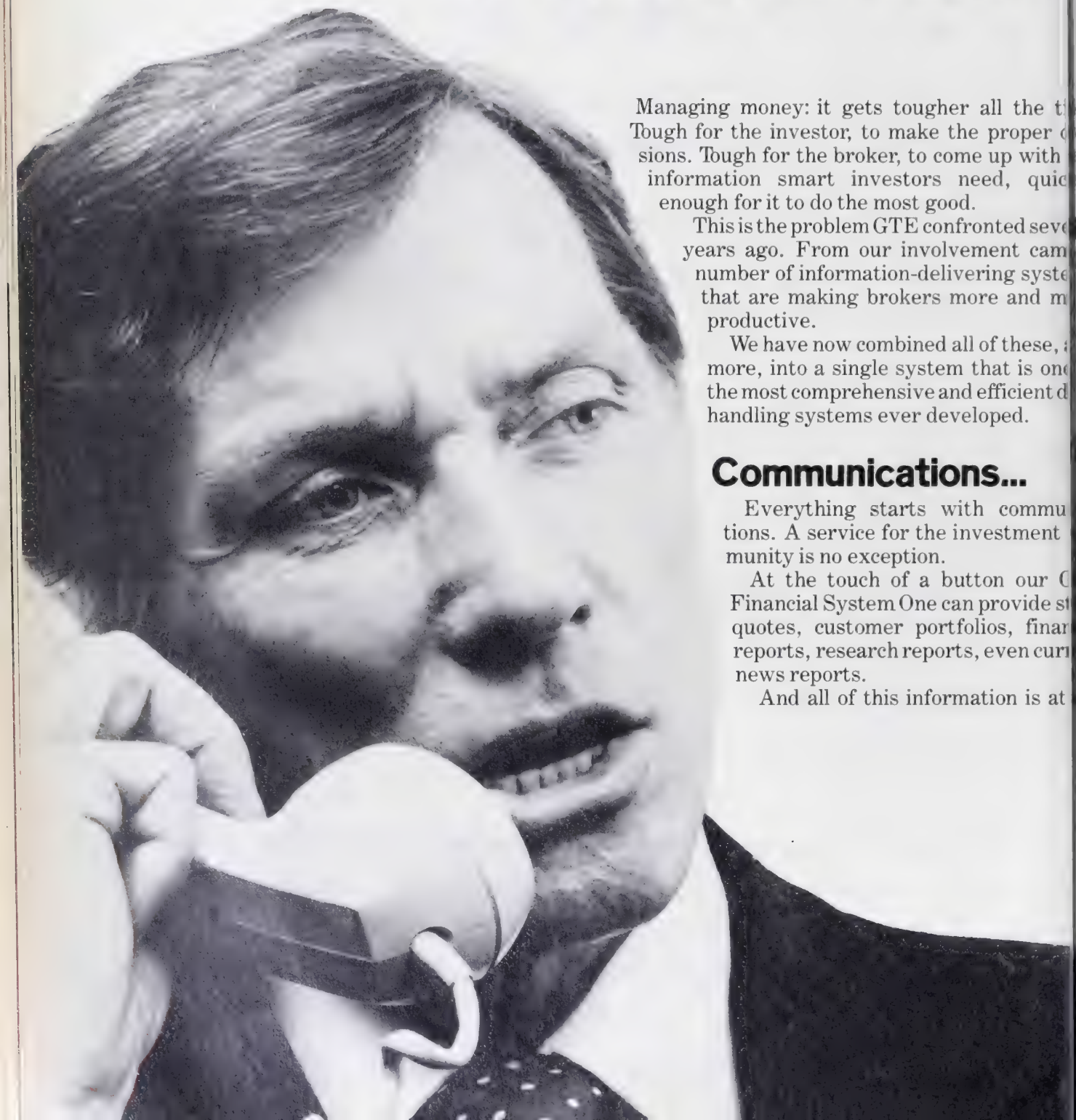
Dominion Securities Limited

A. E. Ames & Co. Limited

McLeod Young Weir Limited

Report from GTE.

How we investment



Managing money: it gets tougher all the t
Tough for the investor, to make the proper d
sions. Tough for the broker, to come up with
information smart investors need, quic
enough for it to do the most good.

This is the problem GTE confronted sev
years ago. From our involvement cam
number of information-delivering syste
that are making brokers more and m
productive.

We have now combined all of these,
more, into a single system that is on
the most comprehensive and efficient d
handling systems ever developed.

Communications...

Everything starts with commu
tions. A service for the investment
munity is no exception.

At the touch of a button our
Financial System One can provide st
quotes, customer portfolios, finan
reports, research reports, even curr
news reports.

And all of this information is at

elp the
ommunity invest.

's fingertips, flashed on the screen so he can
e investors with the facts immediately, not
costly wait while he searches for the data
ere.

d more communications.

is a two-way communications system. It can
office-to-office messages, for instance. Or
ce with the broker's own computer to trans-
ders, confirmations and account data.
for the future, there's a whole array of
nal communications services this system can
grammed to provide.

here today.

Financial System One isn't just a gleam in
e. It's here, today,
g the needs of over
rokerage offices
heir clients from
York to Los
es...helping the
oving investment
unity move even

Communications is our business.

Whether we're setting up a comprehensive private communications network such as is involved in our brokerage service, or serving the telephone needs of the twenty-seven million Americans who think of us as the phone company....

GTE is telecommunications. And a great deal more.

GTE

One Stamford Forum, Stamford, Connecticut 06904.

General Motors bit the bullet. The market has already decided Ford can't be far behind.

More dividend cuts on the way

GENERAL MOTORS slashed its quarterly dividend to 60 cents. General Motors is in much better shape than its domestic counterparts. Chrysler eliminated its dividend in 1979. The market has already recognized that the current Ford dividend of $1.00 per quarter is unsustainable. That's why Ford, at its recent price, is yielding close to 16%.

Other auto-related industries where dividend cuts seem likely are auto parts, and tire and rubber. The slump in the housing industry has jeopardized the dividends of a number of companies involved in building, mobile homes and home appliances.

A number of banking institutions also appear on our imperiled payout list. Most of these banks have come under severe pressure because of one or more of the following: paper losses on bond portfolios, disintermediation and large long-term commitments at low interest rates. It is possible that recent developments—

Statistical Spotlight

the drop in interest rates and the up in the bond markets—will spare mar all of these banks the pain of a divi cut; banks more than industrial cor nies hate to cut their dividends.

Analysts are scrambling to update t earlier earnings estimates for 1980 (s 67). In retrospect, many of the orig estimates were overly optimistic. Re ing, too, could be hard hit by this cons er-led recession. If the first-quarter e ings just being released signify a tr dividend cuts are also likely here.

The companies below are vulnerab dividend reductions. Most of them ei are paying out 50% or more of earnin an abnormally high amount—or ha record of cutting dividends previo this past decade. Sometimes both.

A good many companies, of co will be able to maintain their payout, quite a few will be able to increase it. after several consecutive years of ri dividends, the crop will be very m this year.—*Steve Kichen*

Imperiled payouts?

Company	Indicated 1980 dividend	Dividend as % of latest 12 months' earnings	Earnings per share 1979	Earnings per share latest 12 months	Stock price recent	Stock price 52-week range	Current yield	Most recent dividend cut (1970-80)	Industry
Akzona	$0.80	45%	$2.10	$1.77	11⅝	17½– 7¾	6.9%	1977	Chemic
AM International	0.28	NM	1.07	(0.27)	17⅝	20 –12½	1.6	1974	Office equipme
American Motors	0.30	24	2.24	1.23	5½	9½– 4⅝	5.5	1975	Automoti
Arkansas Best	0.60	120	(0.21)	0.50	7⅜	11½– 6⅞	8.1	1975	Truckin
Arvin Industries	1.12	56	2.88	2.00	10¾	15¾– 9¾	10.4	1975	Auto par
Bird & Son	1.60	63	2.72	2.53	17½	24½–15	9.1	—	Buildi
Bormans	0.20	125	0.16	0.16	3⅜	6¼– 2⅞	5.9	1971	Groce
CertainTeed	0.90	80	1.30	1.13	14¼	19⅛–11⅜	6.3	—	Building materia
Collins & Aikman	0.72	55	1.32	1.32	7½	10⅞– 6¼	9.6	1975	Texti
Federal National Mortgage	1.28	51	2.81	2.52	16⅞	19⅜–11⅞	7.6	—	Finan
Fin Corp of Santa Barbara	1.00	35	3.14	2.87	15½	19½–10¼	6.5	1972	Savings & loa
Financial Federation	1.40	28	5.34	4.93	27	40¾–20¾	5.2	—	Savings & loa
Firestone Tire	0.60	NM	1.35	(1.11)	7	13½– 6⅛	8.6	1979	Tire & rubb
First Chicago Corp	1.20	47	2.91	2.53	14⅛	19¾–10¾	8.5	—	Ban
Fleetwood Enterprises	0.52	400	2.01	0.13	6⅞	10⅜– 5⅛	7.6	—	Mobile home
Ford Motor	4.00	117	9.75	3.42	25¼	44⅜–21⅛	15.8	1975	Automoti
General Tire	1.50	61	3.44	2.44	17	26⅞–12¼	8.8	—	Tire & rubb
Goodyear	1.30	66	2.02	1.98	12¼	17⅜–10¾	10.6	—	Tire & rubb
International Harvester	2.50	214	12.01	1.17	26⅝	45½–23	9.4	1971	Trucks/farm equi
IPCO	0.12	41	0.32	0.29	4¾	6⅜– 3½	2.5	1972	Health ca
Libbey-Owens-Ford	2.35	61	4.80	3.88	20½	28⅞–19¾	11.5	1975	Auto par
Lukens Steel	0.80	73	1.44	1.09	12⅝	17¼–10¾	6.3	1980	Ste
McLean Trucking	0.64	NM	1.44	(0.83)	8⅜	16½– 7½	7.4	—	Truckin
Mohawk Rubber	1.20	126	1.62	0.95	10¼	14⅜– 9¾	11.7	—	Tire & rubb
Norlin	1.60	45	5.21	3.56	17⅞	25¾–17	9.0	1971	Multicompan
Ranco	0.84	38	2.57	2.24	13	23 –12½	6.5	1976	Home appliance
Raybestos Manhattan	1.60	89	2.24	1.80	17⅞	32¼–15	9.0	1971	Auto part
RTE	0.60	97	0.94	0.62	8	11⅝– 6¼	7.5	1971	Electrical equi
Skyline	0.48	59	1.21	0.82	12⅛	13¼– 8½	4.0	—	Mobile home
Valley Industries	0.40	121	0.53	0.33	6⅝	9½– 5¼	6.0	—	Ste
Western Air Lines	0.40	30	2.99	1.34	7½	12 – 6	5.3	1976	Airlin
Zimmer Homes	0.36	150	1.19	0.24	6¾	10⅞– 4⅛	5.3	1975	Mobile home

NM: Not meaningful

PEUGEOT

505. THE ONLY CAR IN ITS CLASS "THAT MAY STILL BE IN TUNE WITH THE TIMES TEN YEARS FROM TODAY." – Autoweek

The new 505 from Peugeot is truly a car that doesn't require any compromises.

From the sleek lines outside, to the brilliant planning inside, the 505 is designed for today as well as tomorrow.

Everything about the car is built for the driver. The perfectly natural angle of the steering wheel. The expansive windshield that offers you a view of the road instead of a view of the hood.

The appointments are superb.

An international dashboard (with simple symbols rather than words) lets you "read" everything at a glance.

The placement of the controls is so efficient that the driver has merely to gesture, rather than move.

For the driver and his favorite passenger, there are orthopedic bucket seats with back headrests. The seats adjust to any position. The headrests adjust as well.

There is more than enough room —head room, leg room and seat room—for the driver and four passengers. And the kind of interior space that doesn't make you feel like you've been "downsized."

The ride itself is outstanding. Compliments of a European suspension system that protects you from the imperfections of the road. And thanks to Peugeot's patented extra large shock absorbers which soften the bumps.

The handling is effortless. In this case, the tightness of the car lending itself to the ease of the driver. (Power-assisted rack-and-pinion steering helps, of course. So do power-assisted disc brakes on all four wheels.)

The 505 Diesel is equipped with a 4-speed manual transmission and delivers an impressive EPA estimated 35 mpg highway, and an estimated 29 mpg.*

The 505 gasoline version is equipped with a 5-speed manual transmission (combined with a Bosch K-Jetronic fuel injection system) to make it one of the most responsive automobiles you've ever driven.

Add to all that the fact that at Peugeot a car is built, not merely assembled. And tested individually.

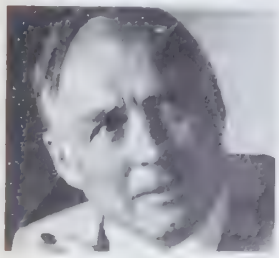
And what you get is a car that isn't just right for ten years from now. It's right for all the years in between.

*Peugeot 505D, manual 4-speed transmission. Remember. Compare the boxed estimate to the estimated mpg of other cars. You may get different mileage depending on how fast you drive, weather conditions, trip length and condition of your car. Actual highway mileage will probably be less than the highway estimate.

PEUGEOT
PROGRESS. NOT COMPROMISE.

"Now you can own your own small-building automation system

Fred Brengel, President, Johnson Controls, Inc.



Why does a small building need automation?

For the very same reasons large buildings need it. Buildings as small as 50,000 square feet have the same systems and problems. Heating, cooling, ventilating, firesafety, security, communications—all these must be governed 24 hours a day. Up until now, the only reason for not having automation in smaller buildings has been the cost. The new Johnson Controls JC/85 computerized building automation system runs all these systems, solves all these problems from a single console. It offers small buildings management functions they could never hope to have before. It gives you total control of your building.

What about the cost?

You know what happened with the pocket calculator. The same applies here. The new JC/85 system costs much less and does much more than systems installed just a few years ago. It will pay for itself—its total installed cost—in two years or less in energy savings alone. That's because the equipment costs less. Wiring paths are shorter. It runs on low voltage. And you can locate it in a corner of your office.

Is it easy to operate?

That's one of the beauties of the JC/85. It doesn't need an operator. All it needs is an occasional user. It actually *teaches* the user. In effect you can walk up to the JC/85 and ask it, "What can you do for me?" Activate the AID mode and it responds in plain English to tell you what your choices are and—step by step—what to do. And it displays information in full color for easy comprehension. Your office staff can run it.

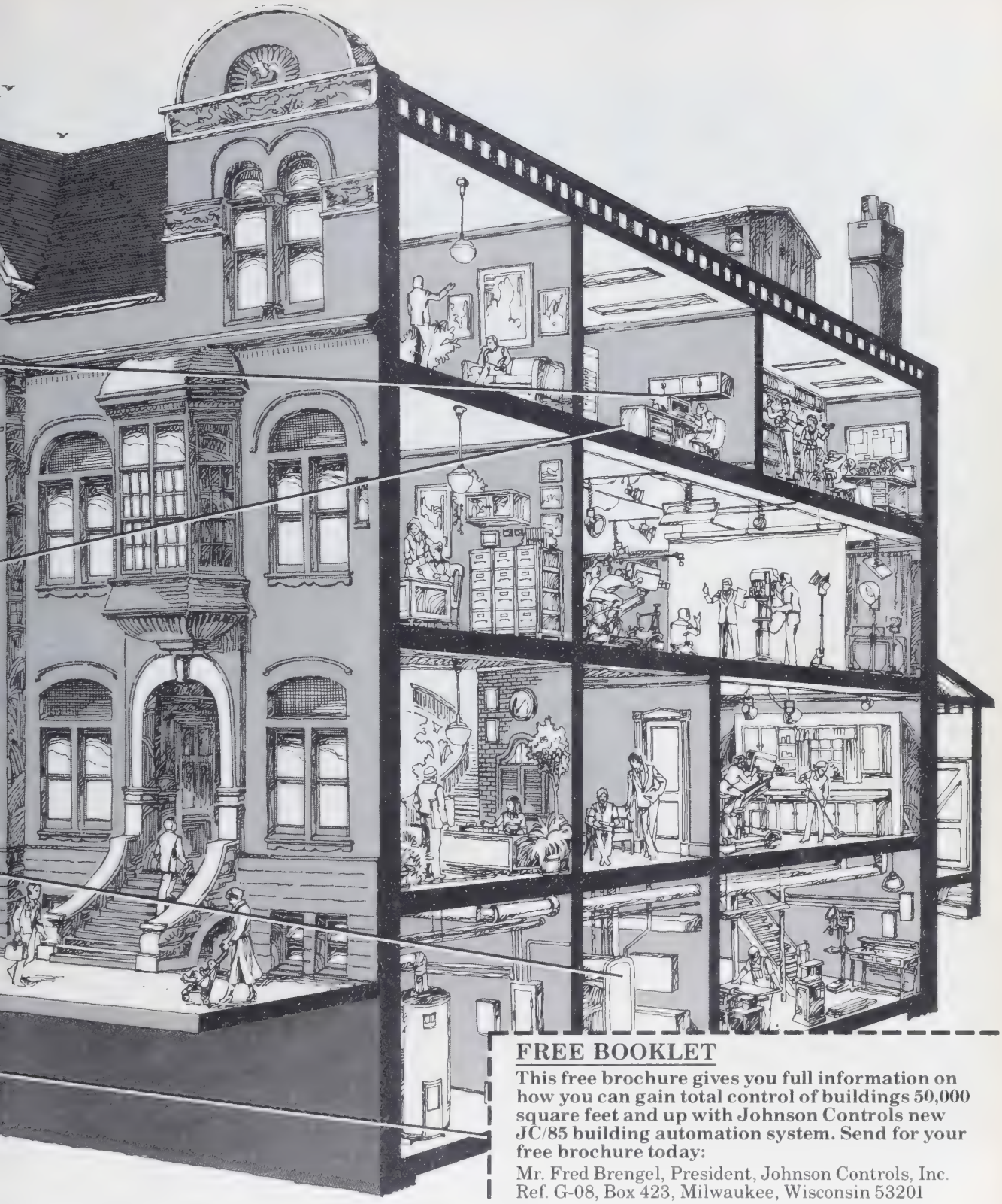
What about obsolescence?

The JC/85 isn't just a "black box." It's a system, designed to be changed. It can be programmed and reprogrammed to meet any and all control needs. You can start by using it to control heating and cooling and save energy. Later you might link it up to the building's firesafety system. Still later you might add on a new security control system or reprogram it to meet a new Department of Energy regulation. The JC/85 grows with the building. You can make changes without even shutting it down.

What's the first step?

The first step is also the last step you need to take. Just call any one of Johnson Controls 126 offices across the U.S. and Canada. We pride ourselves on being one source that does all. We analyze your building, recommend applications, project energy savings, supply all equipment, design and install a customized system, calibrate and check it, and turn over the key. There's just one other thing you can do now—send for our free booklet.

Your single source for design, manufacture, installation and service of automated building controls. Proprietary or time-shared. Energ agement, heating, air conditioning, fire management, security, communications and mechanical maintenance. © 1980 Johnson Contr



JOHNSON CONTROLS

he total control company

FREE BOOKLET

This free brochure gives you full information on how you can gain total control of buildings 50,000 square feet and up with Johnson Controls new JC/85 building automation system. Send for your free brochure today:

Mr. Fred Brengel, President, Johnson Controls, Inc.
Ref. G-08, Box 423, Milwaukee, Wisconsin 53201

NAME _____

TITLE _____

COMPANY _____ PHONE _____

STREET ADDRESS _____

CITY _____ STATE _____ ZIP _____

Congressman Frederick Richmond's Walco National Corp. pro that there is very good money to be made from being disliked.

The profits of rejection

By Beth Brophy

IF YOU HAVEN'T HEARD of Walco National Corp., you may want to keep its name in mind for one specific reason: In recent years, that company has been buying substantial share holdings in a number of other companies that, invariably, choose not to be associated with Walco. So they buy back their stock, usually at prices higher than what Walco paid for it in the first place.

Since 1977 Walco has bought and then sold back the stock of such outfits as Vulcan Inc., Bristol Brass Corp., Barber-Greene Co., McNeil Corp., Leesona Corp. and Reece Corp. Last month Walco filed another 13-D with the SEC, this time to announce that it had bought 71,200 shares, 10.2% of the total, of Standard Coosa Thatcher Co., a textiles company, "for investment reasons."

From 1977 through 1979 Walco managed to make a profit of $2.7 million pretax from sales of securities, but this fiscal year (ending June 30), Walco has managed to glean more than $6 million pretax from the resale of shares in other companies. This almost matches the company's June 30, 1979 net on operations, which came to $7.8 million, or $3.57 a share, on sales of $155 million from a miniconglomerate product line including buttonhole machinery, steel forgings and small electric motors.

What is it about Walco National that turns off all of these acquisition prospects and even sent one to a merger with a presumably more attractive rescuer?

Congressman Frederick W. Richmond (D–N.Y.), 56, formed Walco in 1960 and in 1969 merged it into National Casket Co., ending up with the bulk of the stock. He acts puzzled and says he has no idea why Walco is so unloved by those companies it invests in. "Walco," he insists, "is impeccably run. We haven't been involved in any proxy fights. We had no premeditated plan to profiteer." Richmond and a foundation he controls hold more than half of Walco's shares. Until 1978, when he resigned to conform to congressional outside-earnings limits, Richmond was also Walco's chairman.

Walco's former chairman and half-owner, Representative Fred Richmond of Brooklyn
Being incompatible has its advantages.

John Reece, chairman of a Walco target, Reece Corp., can tell Richmond what the problem may be: "We have strong objections to Walco's reputation as an aggressive acquisition-minded company," he says. Then Reece says Richmond's 1978 arrest and guilty plea to soliciting sex for money from a young black man and an undercover cop in Washington didn't help either. "Richmond is not somebody our organization feels compatible with," he adds.

James Reidy, treasurer of Bristol Brass, explains how his company chose to liquidate rather than be acquired by Walco in 1979: "The big thing was the price." Clearly Richmond was on the verge of copping a bargain if Bristol's board found liquidation better for shareholders than taking Walco's $26 a share.

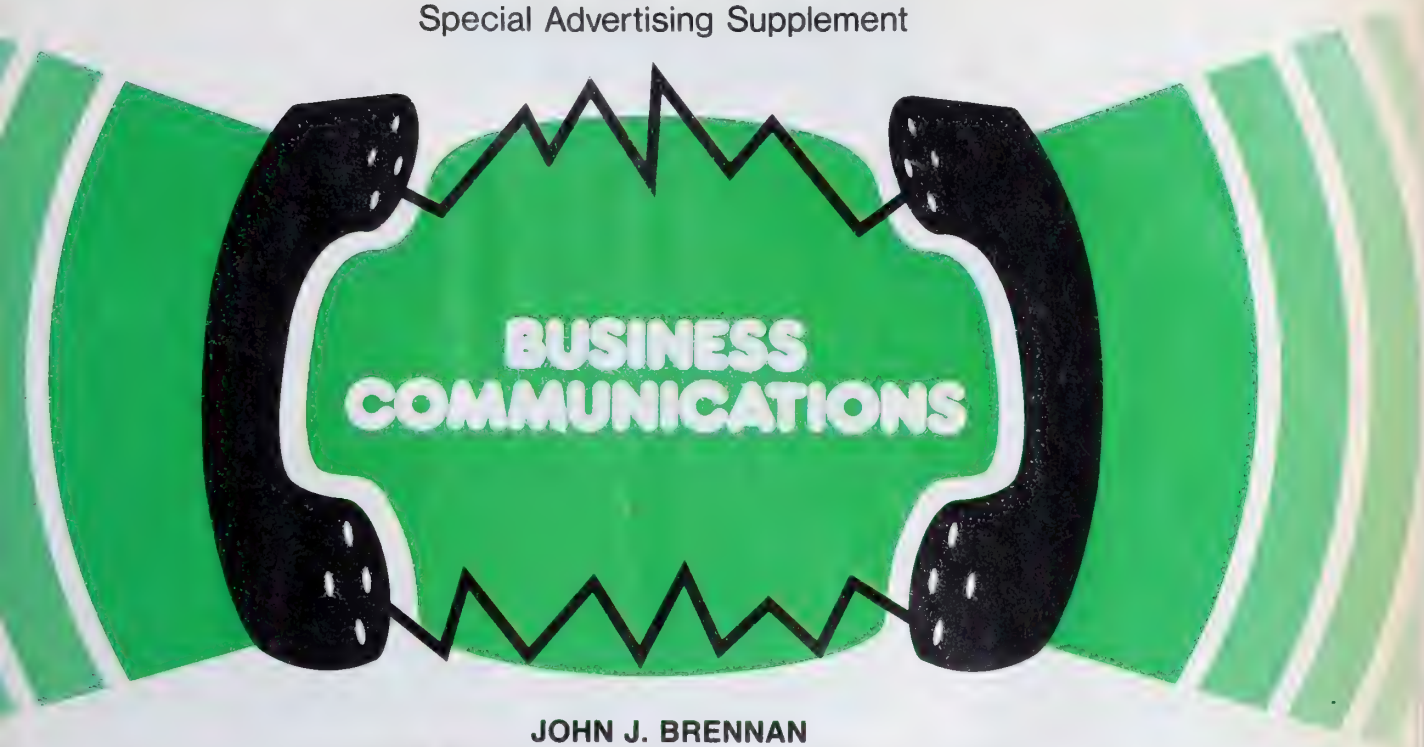
When Walco bought 447,600 shares of Leesona Corp. for under $30, the textile- and plastics-making machinery ma facturer turned for a friendlier partne Britain's John Brown & Co., Ltd. In process, Walco got $40 for its shares an estimated profit of $4.4 million.

Walco's vice president of finar James Lynam, denies Walco is gett turned down by all these companies it been buying into. "We're just taking investment position, not making an o to buy," Lynam insists. "When ot companies wind up buying in, it me our opinion turned out to be right."

Not that there appears to be any rea to question the sagacity of Richmor stewardship of the company. It's a r sonably thriving earner, its shares sell under its book value of $22.52 and it l made its principal shareholder possi the richest member of the House w assets, mainly Walco shares, wo something like $23 million.

What's more surprising, given his le troubles, is that Richmond was reelec to a third term in 1978, and so far chances this fall look good. ■

Forbes
Special Advertising Supplement



JOHN J. BRENNAN
Executive Vice President, Quantum Science Corporation
combines an academic and professional background in the engineering and management sciences and is recognized as an authority on both the technical and business implications of communications and computer-based systems.

Management in most companies are not yet aware of, nor properly taking into consideration, the most significant development which will occur in the information systems and services industry during the 1980s, the development of truly integrated end-user workstations. These devices will evolve beyond the office of the future and will provide "personalized" hardware and software solutions to meet the application requirements of individual end users.

Made possible largely by concurrent technology improvements in processing, storage, communications, input and output of information, integrated workstations will be designed to support all or most of the information handling needs of individual end users. They will integrate data, text, image and voice handling modules which are currently supported by separate devices such as telephones, calculators, typewriters and copiers. Modular in design, they will incorporate the necessary hardware and software features to satisfy varying end-user requirements for information storage and retrieval, text preparation, mathematical/statistical calculations, message transfer, and interfaces to internal and external communcations systems.

Because of the growing pervasiveness of integrated workstations, corporate and information system managers must now develop their current plans for computer, communications and office equipment and services within the context of a truly distributed information systems environment. Decisions on the selection of office systems, applications software, text and data terminals, distributed processing, communications networks, timesharing services and even personal computers must now be made in terms of widely implemented integrated workstations at end-user locations throughout corporate organization structures.

INTEGRATED WORKSTATIONS ARE MULTI-FUNCTIONAL DEVICES

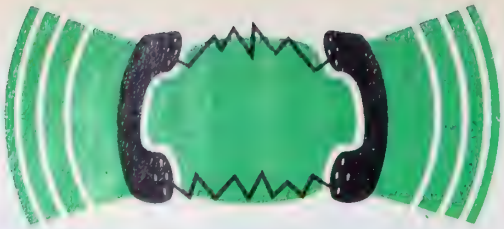
The multi-functional nature and application of integrated workstations will differ substantially from occupation to occupation based on varying end user requirements. For example:

- For lawyers, accountants, and corporate and financial managers, they will primarily provide merged text and data processing and file access capabilities.
- For professionals such as engineers and architects, they will provide merged text, data and graphics functions.
- For occupations such as pharmacists, nurses and drafters, they will provide a comprehensive, fully integrated information processing system centered around their key application needs of prescription processing, patient care and computer-aided design.
- For occupations such as stockbrokers, credit managers and insurance agents their primary application will be to provide dual-access to internal corporate databases and external private or proprietary databases.

The specific level of hardware and software integration required for each occupation will gradually evolve during the 1980's.

The corporate manager's workstation will evolve from the merger of the functional capabilities of separate stand-alone devices used today, such as telephones, calculators and desk files. Through the addition of electronic processing, storage and communications components, these will develop into a fully integrated workstation over the next five years. The hardware necessary to provide these capabilities will include a variety of separate components and subsystems:

- An output display for soft copy
- A mini/microprocessor for local processing
- Internal storage for applications and operating software
- Removable storage for personal files
- A printer or access to a conveniently located shared printer
- At least limited graphics output capability
- A voice interface capability for storage, recognition and control functions



IMPROVED PRODUCTIVITY IS KEY

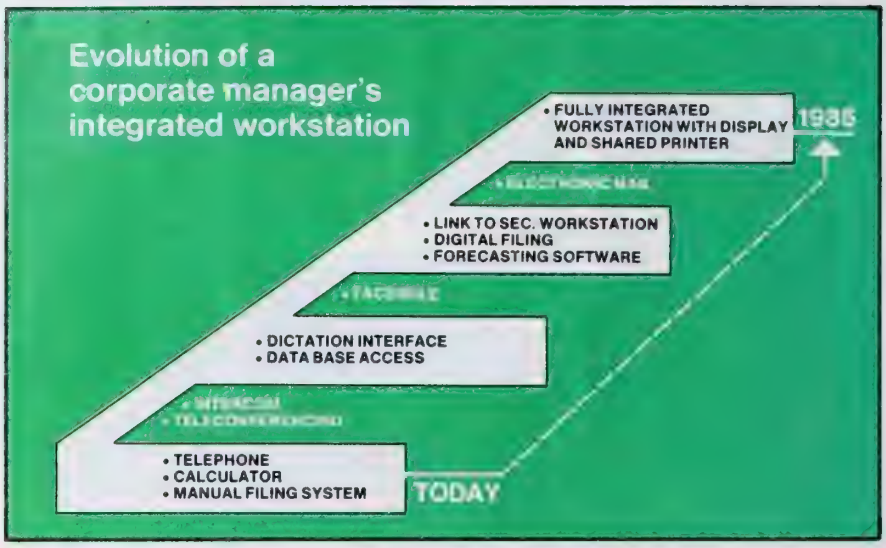
The need for integrated workstations will increase rapidly in the 1980s as the U.S. economy shifts to service oriented industries and white collar employment. By 1985, 55.1% of the 104.3 million persons in the U.S. workforce will be employed by service oriented industries, versus 52.4% of the 87.5 million employed in 1976. In addition, white collar employees, that is those employed in managerial, administrative, professional, and clerical and sales positions, will account for 51.2% of the total in 1985, up slightly from 50.1% of the total in 1976.

While these shifts in employment are occurring, worker productivity growth in the U.S. has been slowing. Worker productivity in the U.S. grew at 3.0% per year during the 1947 to 1973 period but slipped to under 2.4% per year for 1973 to 1980. During 1979, worker productivity growth in the U.S. was actually negative and while it turned positive during the first quarter of 1980, it was largely due to contributions from improvements in the agricultural sector. Productivity growth rates in service firms and white collar employees have traditionally been less than half of those in manufacturing and agriculture. Therefore, the need for productivity aids such as integrated workstations will accelerate in the 1980s as the shifting U.S. economy strives to remain competitive.

DIRECT COST SAVINGS AND EXPANDED INFORMATION ACCESS

In addition to productivity improvements, users should consider other important benefits of integrated workstations. For example:

- Improved and faster access to corporate and proprietary information files.
- Improved and faster dissemination of information throughout business offices in the form of interoffice and intraoffice electronic mail.
- Expanded records in response to government and consumer demands.
- Offsets to salary and overhead costs. U.S. salaries will continue to climb at 8% to 12% per year during the early 1980s and possibly thereafter. In contrast, technology improvements will reduce information processing and storage costs at a rate of 20% to 30% per year through 1985.



WORKSTATIONS IN SMALL BUSINESS ENVIRONMENTS

Small businesses should consider using these devices in order to:

- Reduce the amount of time spent by key individuals (e.g. the proprietor) on mundane and often redundant tasks
- Handle larger volumes of business without expanding support staff levels
- Eliminate or displace existing expenditures, such as bookkeeping and data processing charges from CPA firms and local service bureaus
- Improve management control of the business operation through access to more timely, accurate and expanded information files

To illustrate, an integrated workstation in a pharmacy could automate the prescription processing operation and reduce the time spent on this task by more than one hour per day. This would allow a reduction in the number of pharmacists needed in large pharmacies, while permitting the owners of small pharmacies to spend more time assisting customers and managing staff personnel. Other direct cost savings could be derived from cutting error rates for third party billing with insurance carriers and government agencies, thus eliminating losses or delays in revenue collections.

Direct cost savings alone can cost justify the installation of an integrated pharmacy workstation with a 2 to 3 year payback period. Other important benefits include improvements in drug inventory management, prescription pricing control, cash flow and customer service.

PROFESSIONAL WORKSTATION USAGE

Technically oriented professionals such as engineers and research analysts have been able to justify the use of single function workstation devices because of their heavy data processing needs. The advent of multifunction integrated workstations promises cost-effective benefits to other professionals as well.

For example, by using an integrated workstation to review legal briefs and search for legal documents, a typical lawyer can reduce the time spent daily on these tasks by a half hour or more. Based on current fee schedules, these time savings can be converted into client billings of several thousand dollars per year. Add to this the capture of lost charges by direct entry of billable time into the workstation. These can represent anywhere from 10 to 40 percent of a legal firm's revenues, unbilled because of oversight or improper fee application.

OFFICE WORKSTATION JUSTIFICATION

Clerical and secretarial work stations have already justified themselves on a single function basis largely due to employee productivity improvements, labor cost savings and improvements in the quality and accessability of information processed, stored and output. The addition of multi-function capability to these devices will enhance their application and benefit potential at limited incremental costs to the user.

Hard to say which is the more appealing quality of Qyx®, The Intelligent Typewriter®. Certainly, secretaries who are pleased with their typewriters are apt to be more productive and turn out better work.

Qyx is Cost Efficient

The cost efficiency story of Qyx is a remarkable one, too. You never have to invest in more typewriter capability than you need. And that capability can be increased at any time, without changing typewriters. The features you want are simply *added into* the Qyx you already have.

Adding in is Easy

For example, if you want to increase Qyx memory from 4 pages to 30 pages, your Qyx can be modified in minutes at your secretary's desk at moderate cost. You won't have to spend money on new typewriters or upset your office routine. Your Qyx will be upgraded without any change in size.

Mini-diskettes can be added in to give your Qyx unlimited memory. You can also add in a 24-character display to further simplify typing.

Sends Documents Miles

A communications option can also be added in. This enables you to send original documents to a Qyx in the next office or thousands of miles away, in seconds.

Cost efficiency and ease of typing are only two of the impressive benefits of Qyx. Arrange today for a private demonstration to see how much this extraordinary typewriter can do for your business.

For a private demonstration write to Qyx, Box 400, Lionville, PA 19353, or call toll free:

800-345-8123

In Pennsylvania call 800-662-7171.

Name _____ Title _____

Company _____ Phone _____

Address _____

City _____ State _____ Zip _____

70

Qyx

EXXON INFORMATION SYSTEMS

"Qyx" and "The Intelligent Typewriter" are trademarks of Exxon Corporation.

In contrast to clerical workstations in the office, managerial workstations will generally require multifunction capabilities in order to be cost-justified because of the diverse nature of managerial activities.

Users should consider the implementation of managerial workstations in conjunction with office system planning to provide them with access to secretarial and administrative support workstations as well as corporate, office, departmental and personal data files. Specific benefits of managerial workstations include:

- Reductions in managerial labor costs for office and administrative tasks
- Improvements in the quality, quantity and timeliness of information made available to managers
- Increases in the amount of work that can be performed by an individual, department or company as well as a general broadening of managerial responsibilities

Up to two-thirds of a typical manager's workday is taken up with writing and reviewing reports, business meetings and telephone conversations. Through the use of an integrated workstation operating in a systems environment, more than 10% of a manager's time associated with these activities can be saved each day. Over the course of a year, the direct economic benefits alone can be worth several thousand dollars.

TECHNOLOGY DEVELOPMENTS WILL EXPAND WORKSTATION CAPABILITIES

The key driving forces which will lead to the development of integrated workstations are largely based on on-going technology improvements.

These developments will stimulate new integrated workstation product capabilities during the 1980s. For example, VLSI, the very large-scale integration of semiconductor ships, will effect price reductions in some workstations and/or improve more functions at the same price in others. Non-impact printers and flat panel displays will improve resolution, and thereby quality, while providing more flexibility in formatting and graphics capability. Faster, more flexible fiber optic communications and speech processing will improve the workstation's human interface through capabilities such as voice retrieval commands, voice response and audio input.

The application of the various technologies will vary in importance among workstations, depending on the occupations of the users, with the exception of VLSI which will have a major impact on all workstations through consistent processing cost reductions per unit function.

High-resolution graphics, as well as storage and output capabilities available with flat panel displays, non-impact printing and optical storage will have great significance for scientific-oriented workstations, used by architects, design engineers and drafters, among others.

Communications will widely impact office system workstations, both with fiber optics for intra-office workstation interfaces and satellite communications for inter-office workstation connections within large enterprises.

Usage of office system workstations, especially at the managerial level, will be stimulated by the incorporation of speech processing modules. These will improve the man/machine interface, with workstations responding to voice commands by managers for information retrieval or workstation functions, as well as providing audio responses to data-base inquiries.

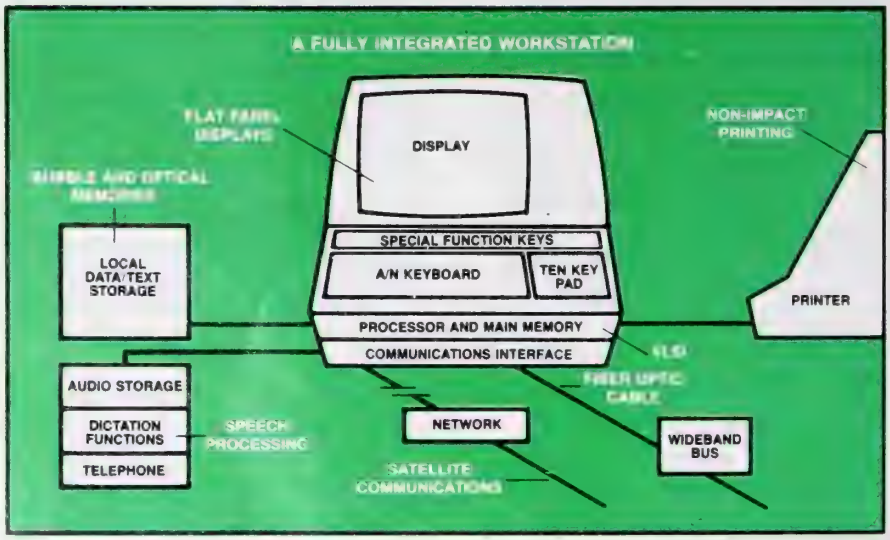
Speech processing will also have a high impact upon lawyers' and accountants' workstations when used as a means of data entry for client billing information and message handling. And it will be important for data retrieval purposes in sales-oriented occupations, particularly stock brokerage.

Bubble memories will be a key technology for non-volatile storage applications, such as in workstations for corporate managers which have minimal need for removable storage; and for portable use by policemen, real estate agents or insurance agents, where reliability and ruggedness are requirements.

The environment in which these devices are used will determine the specific printer configuration. Low cost, ink jet character printers will be attractive, dedicated devices which also provide minimal shared access, such as a secretarial workstation printer which is accessed occasionally by one to three managerial workstations. In clustered secretarial workstation environments, where several secretarial workstations are in close proximity and share a single printer, electrostatic, plain paper, intelligent copiers or ink jet printers are well suited.

COMMUNICATIONS DEVELOPMENTS WILL PROVIDE BROADBAND LINKS

Both fiber optics and satellite communications will provide broadband links between workstations, resulting in the implementation of fully digital, corporate-wide communications systems in the 1980s. Fiber optic links will provide broadband links between workstations within offices, while end-to-end satellite systems will link the offices. By the mid-1980s forecast period, these two technologies will contribute largely to the ability of a user to utilize virtually any type of communications facility desired, and to access broad bandwidth on demand. Workstation applications such as graphics, moving video, electronic mail, high speed data base transfer and teleconferencing will all be facilitated by these technologies.



WE DESIGNED OUR CS BUSINESS SYSTEMS SO YOU COULD PICK ONE YOUR OWN SIZE.

You owe it to yourself to look at Data General's family of CS business systems, because they're specifically designed to increase your company's growth and productivity. And you can get started with a CS system at a price that makes real business sense.

From the smaller CS/20 and CS/30, through the mid-range CS/40 and CS/50, all the way up to the large CS/60, there's one that's the right size for you now, and the right size for you later.

Software compatibility is the secret to our CS family's remarkable growth potential. That means programs you develop for your CS system now run on any larger CS system you buy in the future. You don't waste a single penny of your original software investment. We even offer such vendor-supported application packages as Management Control Systems.

And, as a Data General customer, you'll be fully supported by our responsive Field Service Engineers, and invited to take part in regular CS business system training seminars.

Wondering where you fit? Size up Data General CS systems. We're a Fortune 500 company with over 75,000 computers hard at work worldwide.

Data General Corporation, Westboro, MA 01580, (617) 366-8911.
©Data General Corporation, 1980.

Data General

Mail To: Data General Corporation, Westboro, MA 01580 ☐ I want to start out right. Send complete information on Data General CS systems. ☐ This makes sense, send a salesman now!

Name
Title
Company
Address
City
State
Zip
Tel.

F623

The Computer of the U.S. Olympic Sports Medicine Committee

SPEECH PROCESSING IS BEST WORKSTATION INTERFACE

Speech processing technology will provide the best natural interface to integrated workstations. These are several different aspects of speech processing which are at varying stages of development. The three major segments are:

- Speech transmission, which is already well developed
- Speech output, which includes voice response systems
- Speech input, which includes both recognition and speaker recognition systems.

Speech input capability to recognize file retrieval commands will be the first major integrated workstation application. This will greatly encourage workstation usage by managers and professionals who are uncomfortable with keyboard-oriented systems or unwilling to use them.

Speech recognition will evolve in several directions, starting with the ability to recognize speech regardless of the speaker. The applications for this capability include both data retrieval and data entry. Recognition of very large vocabularies, for voice-to-print capability, however, will be one of the last developments and will not occur until the late 1980s at the earliest.

Speaker recognition, as opposed to speech recognition, limits operation of these devices by vocal command to authorized individuals. One of the primary applications for speaker recognition will be in providing voice verification for security functions. Guard and receptionist workstations will integrate this function for entrance identification. It will also be used to restrict individual access to confidential files in environments such as banks, hospitals and police departments.

Speech output capability will be heavily utilized in text and data retrieval applications. Using synthetic, computer generated speech (speech synthesis), the results of data base inquiries will be provided through audio response, allowing virtually every telephone to become an inquiry-based workstation. Retrieval-oriented occupations such as brokerage, purchasing, sales or credit, real estate and travel, as well as the law with its high research requirements, will be early users of speech synthesis output.

GEARED TO END-USER

The components of workstation configurations will be basically similar to those found on present single-function products: keyboards, displays, printers, local processors, audio storage, removable and non-removable media and program storage, telephone handsets for voice input/output, and communications interfaces.

The configuration best suited to a par-

Good news for Word People.

In business, there are basically two kinds of people.
Word People. And Numbers People.
If you're a Word Person, this ad is for you.
And so is this new machine: The Xerox 860 Information Processing System.
It can rearrange paragraphs, change margins, correct misspellings and type out a virtually endless series of text revisions at the speed of hundreds of words a minute.
And it remembers everything it's done for future reference. Or additional changes.
But it also does something you might not expect from a word processing system.
It processes numbers.
Because in business today, Word People have to manage numbers. And Numbers People have to manage words.
And everyone, but everyone, has to manage information.

XEROX

XEROX® and Star are trademarks of XEROX CORPORATION.

ticular class or sub-class of end-users will vary according to the number and kind of functions performed and the access to data permitted the user. In addition, application software/firmware requirements will vary by end-user type and industry sector.

The *executive workstation* will provide access to text, data and graphic information maintained on internal corporate files and external data bases. In the future, it will also provide the executive with access to electronic mail systems. The executive workstation will initially be installed in companies which have developed corporate MIS systems and have implemented shared-processor text editing systems. Thus, they would have text and data information stored in digitized format for retrieval and review by the executive.

Because of the heavy dependence of executives on telephones for voice communications, the workstation itself can be designed as an extension of this device. It is important that it be designed to conform to the executive office environment in terms of space and style requirements. Because most executives prefer to receive information in a graphic format, their workstations should be capable of handling at least limited graphics, such as line graphs, bar charts and pie charts. A printer will typically not be required since the executive could either share a centrally located printer or the printer at a secretary's workstation. As previously indicated, audio storage should be provided for both message and dictation output.

Just as the executive workstation can be described as an extension of the business telephone, the *secretarial workstation* can be described as an extension of the typewriter. Emphasis will be on text processing, but voice capabilities will also be a major consideration. Data access and processing needs, as well as graphic handling requirements, will be more limited. The secretarial workstation will require a display for text and data review and a character printer for text and electronic mail output. A non-impact intelligent printer will be an attractive option because of quiet operation, improved character and font selection and graphics output capability. When secretaries are located in cluster configurations, access to a shared printer will generally suffice.

A full alphanumeric keyboard with special function keys for editing, calculating and telephone flash message functions will be required. Integral drives and controls for dictation transcription capability and audio storage will also be standard for most secretaries. The station will be linked to the office communications network in order to have access to electronic mail storage as well as to text files and data base information, such as mailing lists for merger into locally prepared correspondence.

Professional workstation feature requirements will vary substantially accord-

Good news for Numbers People.

"I give it a 10."

In business, there are basically two kinds of people. Word People. And Numbers People.

If you're a Numbers Person, this ad is for you.

And so is this new machine: The Xerox 860 Information Processing System.

It can compute, do statistics and perform the routine work that's essential in managing records, measuring work performance and so on.

And it remembers everything it's done for future reference. Or additional changes.

But it also does something you might not expect from a numbers processing system.

It processes words.

Because in business today, Numbers People have to manage words. And Word People have to manage numbers.

And everyone, but everyone, has to manage information.

XEROX

Trademark of Sony Corporation © 1980 Sony Industries, A Division of Sony Corp. of America

For a big choice in microdictation you have only one choice. Sony.

We have machines for every need, in every price range. Such state-of-the-art features as two speeds for double recording time, dual track electronic indexing for faster transcribing and super-light microphones with automatic gain control make Sony micro dictation simple, quick and easy.

SONY OFFICE PRODUCTS

Machines that understand people.

For complete information on the Sony micro line call **1-800-821-7700. EX.516.*** or mail this coupon to Sony Office Products, 9 W. 57th St., New York, N.Y. 10019

*In Missouri call 1-800-[illegible]-7655 EX.516

NAME

POSITION

ORGANIZATION AREA CODE/PHONE

ADDRESS

CITY STATE ZIP

SONY. FOR-6-23

ing to the type of profession and, in many cases, the subclasses within a professional group. For example, workstations for lawyers will be heavily oriented toward text features and may require a full page display for review of legal briefs, while those for architects and engineers must be geared more toward computational capability, and data and graphic presentation. Physicians will require both text and data handling features, while some, such as radiologists, will need sophisticated graphic handling capability.

A character printer for hard copy output should be available for most professional workstation configurations. A quiet non-impact device will be preferred in most business offices as well as in areas such as libraries, hospitals, and law firms.

Audio storage and dictation features should be at least optional for certain professionals such as doctors and lawyers. These will increase in importance as younger professionals, who are more willing to use dictation, begin to move up into senior positions. Graphic displays and in some cases color displays will be required for professionals such as engineers, architects and doctors. As a result, broadband communications interfaces will often be necessary. Security features and voice processing capabilities will be important for professional workstations due to the confidential nature of the work for which they are used.

OFFICE WORKSTATIONS WILL EVOLVE INTO SYSTEMS IN THE 1980S

Apart from dedicated clerical functions, professionals such as stockbrokers, engineers, economists and computer personnel have been the first to use digital workstations in corporate office environments. They generally have identified processing and information access requirements well, and as a result their devices will continue to remain separate from the office systems which will evolve in the 1980s. Secretarial workstations are now coming into being and will move from stand-alone devices to cluster configurations supporting managers and department staff. Electronic typewriters and low-cost editing stations which are being used today are forerunners of future secretarial workstations.

Next to install integrated workstations will be corporate management in most

Will American productivity be crushed by the paper weight?

There's still a chance you can escape he paperwork pile-up that threatens roductivity all over the country.

At NBI, we're helping cut the problem lown to size.

We build the NBI System 3000, an ffice system designed to manage all the aperwork, information processing and ommunication problems your company an generate.

Unlike most systems, we try to make very task as automatic as possible. Functions like outlining, indexing, sorting, ootnoting and equation typing can be done asily, with minimal operator effort. And the NBI System 3000 is document oriented so any time you nake a change, the copy adjusts — page by page — without operator assistance.

Of course, the NBI System 3000 does all the things you'd expect of a leading word processor — text editing, communications, arithmetic, mailing list control and repetitive typing. The NBI System 3000 just makes it all easier and more efficient.

People become more productive, automatically and electronically.

So if paperwork is starting to pile up around you, remember, you've still got a chance.

Call NBI. 1695 38th St., Boulder, CO 80301, 800/525-0844. In Colorado, call 303/825-8403.

NBI

Lifting America from under the paper weight.

large organizations. Most of the early users of workstations in the office have followed this route. These top management workstations will be designed to interface with workstations used by their secretaries and administrative assistants. But it is the need for access to corporate files, proprietary data bases and local text and data files at the office, departmental or personal level which will drive the early usage of integrated workstations. In addition, both internal information managers and suppliers of these devices recognize that top management endorsements are needed in order to get full support for future systems growth.

Implementation of middle/lower level management and administrative staff workstations will follow rapidly as interfaces to top management and secretarial workstations are developed and departmental clusters of workstations, data bases and peripherals are installed. Because of the various alternative solutions involved in developing office systems, user firms will select different paths based on their own specific needs and current capabilities.

CONSISTENCY WITH DISTRIBUTED PROCESSING AND OFFICE SYSTEMS TRENDS

The implementation of integrated workstations within offices is consistent with present EDP systems developments in distributed processing and office systems trends among text and voice communications products. In effect, integrated workstation developments will provide a bottom-up approach to the solution of corporate information needs, in contrast to current approaches which are more oriented from the top down. The net effect of these concurrent trends will be the development of a hierarchy of information capabilities established within corporate offices over the next ten years.

Corporate EDP systems at the enterprise level will evolve toward large database machines at the hub of corporate networks in the 1980s. Within corporate offices, depending on size and type, the levels of information capabilities which will be established are:

- *Office Systems* which will provide central support and communications control and interface functions
- *Departmental Systems* which will provide local data base and peripheral support functions
- *Integrated Workstations* which will provide direct end-user information handling support.

THE ROLE OF OFFICE SYSTEMS

The office system will provide a convenient interface for integrated workstations and departmental clusters to access where appropriate:

How to use a pay telephone.

When you're traveling you have three ways to make a long distance call from a phone booth.

Carry a lot of change (and brace yourself for those periodic little interruptions from the operator), use a telephone credit card, or bill it to your own number. Any way you do it, you'll pay an arm and a leg for operator-assisted calls.

We have a much better idea.

Use the phone for a local call to us, and we'll do the long distance transmission of your call for a small fraction of what you're paying now.

We save companies and individuals big money even compared to direct dialing rates (from home or office), so compared to operator-assisted calls the savings are very substantial indeed.

To find out how substantial write Dept. F, SPCommunications (a Southern Pacific subsidiary), One Adrian Court, P.O. Box 974, Burlingame, CA 94010.

Our extensive transmission network is expanding all the time.

You can't yet call this way from anywhere to anywhere.

But you can call from just about anywhere that's anywhere to anywhere that's anywhere.

SPC

The leading alternative to the phone company.

he Connection by Qwip. t's the executive mailbox.

wip Systems, America's leader in facsimile, as dramatically improved business communications with The Connection. utomatically and unattended, it sends or receives a copy of almost nything you can put on a piece of paper to any office anywhere, just two minutes over the phone lines . . . even after office hours.

he Connection is designed to improve executive productivity y getting you information when you need it, in your office here you need it. And, with the simple addition of an easy-to-use ultiple-paper cassette, The Connection becomes your xecutive mailbox . . . the quick, easy, efficient way make electronic written connections.

he Connection is small enough to fit unobtrusively into any work area, ersatile enough to connect with most other 2, 3, 4, or 6 minute acsimile machines and inexpensive enough for any office. orking day and night, The Connection will save you time and money. s a major ally in the fight against too much work and too little time. or more information on The Connection, or our other facsimile machines, all our toll free number or send in the coupon.

Qwip means business connections

☐ I'd like to know more about The Connection. Please have a Qwip sales representative call on me without obligation.

☐ Please send me more information.

NAME

TITLE

COMPANY

INDUSTRY

ADDRESS

CITY

STATE ZIP

PHONE

Qwip Systems
Division of Exxon Enterprises Inc.
5551 Vanguard Rd. Q-TAC
Orlando, Florida 32809

Or call toll free **(800) 327-6666**
In Florida Call **(800) 432-7777**

Qwip
EXXON INFORMATION SYSTEMS

FB-6-23-8

Qwip and The Connection are trademarks of Exxon Corporation

- Other stand-alone workstations and departmental clusters
- Files stored at the office level such as local payroll or personnel files
- Support activities such as word processing centers, electronic mailrooms and teleconferencing centers
- Specialized peripheral equipment such as phototypesetters and optical scanners
- Local EDP processors for general application needs and back-up support

THE ROLE OF DEPARTMENTAL CLUSTERS

Departmental clusters will provide individual workstations with convenient access to:

- Other workstations in the department
- Conventional output printers for display-only workstations
- Higher speed and/or higher quality printers for specific applications
- Local storage or departmental data bases
- Optionally, more powerful networks for internal and external application needs
- Electronic mail systems and stations

VARIOUS ALTERNATIVES FOR INTEGRATED WORKSTATION PRODUCTS

Because of the broad implications associated with integrated workstations, virtually all information equipment and service companies will emerge as future suppliers. Each of them will bring different strengths which users should consider in establishing their own particular approach. For example:

- Computer mainframe companies are in a position to provide users with a comprehensive corporate information systems solution, including data base development and communications network structure.
- Office equipment and system suppliers are well positioned in text processing capabilities and in providing secretarial workstations which will be a key interface for all workstations in the office.
- Small business system and minicomputer companies are able to provide the needed processing capabilities at the office system and departmental cluster levels, as well as specific applications support in certain areas such as finance and engineering.
- Computer terminal companies, already major suppliers of clerical workstations, are able to provide application and network support for specific departmental and occupational areas.
- Computer services companies, by providing bundled hardware solutions, are well positioned to provide well tested software, data-base access and back-up processing support to individual end users and departmental clusters.
- Communications equipment and services companies are able to provide integrated support at all levels by providing extended capabilities within the office PABX and individual telephone sub-sets.

CORPORATE MANAGERS MUST LOOK TO THE FUTURE

Within the next five to ten years, large corporations will find thousands of digital workstations distributed throughout their offices. In order to optimize their usage and their benefits, users must properly identify now how these devices will be interfaced and integrated to corporate and office information systems. In addition, they must take into account the technology developments which will make it feasible to provide truly integrated solutions in a single product rather than multiple single function solutions, many of which can not be easily justified.

In order to properly plan for integrated workstations, user organizations should:

- Place greater emphasis on software capabilities rather than hardware features
- Work with vendors in identifying needs and determining solutions
- Concentrate initially on larger offices in the corporations and later install compatible systems in smaller offices
- Focus on the development of internal data bases and utilization of efficient data base management systems.

Cut your company's long-distance phone bill up to 40%.

When you make a long-distance call with Ma, your message, of course, goes a long way. The problem is that your money doesn't.

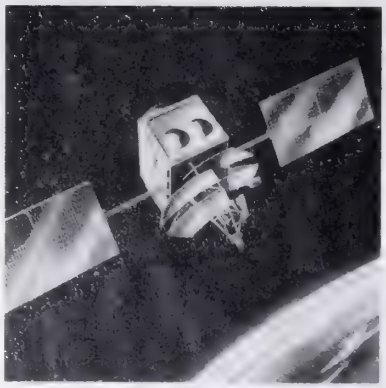
Six years ago we created a satellite communications service that lets your money go as far as your message. Now hundreds of America's smallest and biggest companies are saving from hundreds to thousands on their phone bills every month.

You can join them.

If your company spends just 45 minutes a day transmitting voice, data and facsimile between two of our served cities, we could cut your long-distance phone bill 40 per cent.

There's no capital investment. No change in equipment. And no sacrifice in reliability and quality. Just a lot of savings. And a lot of service.

If high long-distance phone bills ring a familiar bell, call Walt Pioli: (609) 734-4300 for detailed information. RCA Americom. 400 College Rd. East, Princeton, NJ 08540.



RCA American Communications

The solution that beats the system

"Does work pile up at the office when you're traveling?"

"Do you forget good ideas from one day to the next?"

"Do you scribble notes that nobody can read?"

Stop playing catch-up and start getting ahead with Lanier's Vest Pocket Secretary.®"

—Arnold Palmer

When you're traveling, Lanier's Vest Pocket Secretary travels with you. Letters, memos, reports and instructions for your secretary get done on the plane, in the car, in a hotel room. So work doesn't stop when you're on the go.

To remember ideas, the Vest Pocket Secretary is perfect. Small enough to fit in the palm of your hand, it works with one button. You can get ideas down as fast as you get them.

When you need to take notes, the Vest Pocket Secretary is faster and easier than writing things down. Clearer, too. You don't have to figure out what your notes mean. Your secretary doesn't have to read your handwriting.

Start getting ahead of paperwork right now. Mail in the postpaid card. Or call Jennifer Scott toll-free at **(800) 241-1706**. In Georgia, call **(404) 321-1244**, collect.

I want to get ahead of paperwork. 142FFO

Name Title

Company Phone

Business Address City

County State Zip

Mail to: Lanier Business Products, Inc.
1700 Chantilly Drive N.E., Atlanta, Ga. 30324

LANIER®

LANIER BUSINESS PRODUCTS, INC.

Get a lot more done in a lot less time.

International offices in: Australia • Belgium • Canada • Denmark • England Finland • France • Germany • Ireland • Mexico • Netherlands • New Zealand Norway • Puerto Rico • South Africa • Spain • Sweden • Switzerland

THE RUSH ORDER TELLING YOU TO CANCEL TEDDY BEARS AND START MAKING TOY TRUCKS IS IN THE MAIL.

Not getting the right information when you need it could turn your entire manufacturing schedule upside-down. And, more importantly, lose you customers.

That's why you should take a look at the 3M 9600 Digital Facsimile Transceiver. Hook this machine up to your phones and it will automatically transmit and receive an exact copy of information. Day or night.

Think of it as mail over the phone. Only, unlike all other mail service, 3M Facsimile can deliver critical information in twenty seconds. Like inventory updates, orders, graphs, letters, and even signed contracts.

What's more, you already have half the system. Use it to call 612/736-0746 or your local Business Products Center for more information. Or write to Business Communication Products, 3M Center, St. Paul, MN 55101.

3M FACSIMILE, THE TWENTY-SECOND DELIVERY SERVICE.

Business Products Center

3M

HOW MUCH MORE CAN THE SYSTEM TAKE?

: current news is: Infla- ı is slowing down in U.S. But for how long by how much? The ·ld seems to be on a ry-go-round of infla- ı and there is no way one country or one inessman to say, "Stop merry-go-round, I ıt to get off." Since 3 the price of oil, life- ɔd of modern industry, has been jacked by an extortionate 1,000%. That this ı't caused a massive world depression is principally to the unexpected ability of world's commercial banks, with mini- help from their governments, to recy- the flood of petrodollars that piled up, in 1973 when the price of oil was ɔled, and again last year when it was ıbled. But the price paid for this has n inflation, with the recycled petrodol- providing international liquidity unpar- led in history. The inflation, in its turn, made the oil price boosts more bear- e while goading OPEC to raise prices her. Inflation and oil. The two are inti- ely connected: oil and finan- liquidity, financial liquidity inflation. While the huge trade def- of the late ies started the whole inflationary spiral, it has been oil and money market multipliers, spawning ever larger increases in credit year after year, that have kept it going.

Too much contemporary journalism is crisis journalism—written as though events have taken place in a vacuum, as though they do not have roots and parallels in history. In this article—long for FORBES—Contributing Editor Norman Gall looks at the current world financial crisis from a historical as well as a contemporary perspective. He compares today's money explosion with the long inflation bred by the arrival of Spanish treasure galleons from the New World in the 16th century and the spread of new liquidity throughout Europe. And he cites history to disprove the bankers' argument that sovereign states never default on their debts. We now face, Gall claims, a tough choice: Either we accept continued, possibly accelerating, inflation, or we accept a slowing of world economic growth. Either course poses incalculable risks to rich nations and poor nations, capitalist states and socialist states alike.

What's good anti-inflation policy in Washington may be disastrous Ankara or Brasilia or many other corners of the world. Where does this leave the big international banks? In trouble.

Walter Wriston, meet Lorenzo de' Medici

By Norman Gall

IN THE 14TH CENTURY a poor, less-developed country began to make its influence felt in the international economy as a major exporter of a basic raw material. The country was England. The product was wool. Sophisticated Italian bankers, sensing opportunity in England's exportable surplus and the rest of Europe's need for wool, moved in. The bankers were shocked by what they saw. Here was a brawling, backward country whose rulers were always fighting civil wars. So primitive was the economy that money was very scarce, and the monarchs were chronically short of the wherewithal to pay their troops. To get an assured supply of wool, the Italian bankers made English loans. But the English turned out to be deadbeats, and England's creditors had to do what the English themselves did centuries later: take control of customs to collect what was due them.

Even then the bankers didn't always get out with a whole skin. The famous Medici bank of Florence staked Edward IV in the savage Wars of the Roses. Edward won, but his purse was empty and many of the lesser customers lay dead on the battlefields. The Medici bank never fully recovered from its losses.

When bankers tell you not to worry, that sovereign countries "can't" default on their loans, remind them of the Medicis, remind them of London's famous Baring Brothers destroyed by Argentinian defaults, remind them of Russia's defaults on czarist bonds and of all the U.S. jurisdictions that defaulted on loans from Europeans in the 19th century. Remind them that Spain—though it was the OPEC of the 16th century by dint of its control of the New World's gold and silver—defaulted at least eight times on debt owed to foreign bankers.

Almost every major bank in the world is today an international bank and deeply involved in what goes on beyond its nation's borders—which essentially changes all the rules. U.S. banks are taking 90-day deposits from OPEC sources and lending them to less-developed nations for terms as long as ten years. Half of Bank of America's deposits are foreign today, up from 31% in 1971; Citicorp's are 75%, up from 44%. By the end of 1978 U.S commercial bank loans to Brazil and Mexico alone equaled the combined capital of the 12 largest U.S. ba And not just the American ba Among the Japanese banks, three- ters of their overseas loans are to d oping countries.

All this overseas activity adds to upward pressure caused by domesti flation on the demand for loans. Put ply, bank lending has far outstrippe growth of bank capital. As recentl the mid-1960s the prevailing rul thumb for prudent banking was to l outstanding loans to about 15 times ital in order to maintain enough rese to absorb potential loan losses. Du the international lending boom of 1970s, this multiplier rose steadily u it reached an average of almost 30- for the eight largest U.S. money ce banks. Among U.S. banks, Chase M hattan's outstanding claims are 31 ti capital; Chemical's, 33; Continental nois, 26; Bankers Trust, 37; Irving Tr 31. For Japan's largest bank, Dai- Kangyo, the multiplier is 42, and for Bank, Japan's fourth l est international lende is 36. Deeply involve they all are in internati al lending, these g banks could conceiva have their joint total ital wiped out by a se of defaults on the inte tional scene.

Like backward, bra ing 14th-century Engla the poorer countries of world are now deep debt to the overexten bankers of the richer tions and, like many monarchies, they can vice their debts only borrowing more. To that sovereign sta cannot default is to nore history.

Earlier this year, bankers' language, Fede Reserve Governor He C. Wallich spoke so unpleasant truths. He t a meeting of bankers t commercial bank loans the poorer countries h grown 23% a year on av age since 1975, nearly t bling in five years. "Suc rate of growth," he sa "exceeds the rate of ov all credit expansion t can be sustained by a banking system not in t grip of galloping inflatic

Renaissance banker Lorenzo de' Medici

What do you do when you try to finance the foreign trade of a backward, brawling country like England in the 14th century? If need be, you take over their customs in order to collect.

ıe longer run one must ask whether vorld's banking system can meet ısed demands by less-developed ries even if these demands reflect ne investment financing rather the financing of consumption-ori- oil imports."

llich was saying: The party is near- er; it has been going on too long. Wallich's reference to inflation. loans to poor and developing coun- are closely related to the increased f inflation the entire world has suf- since 1970. Note Wallich's refer- to "the financing of consumption- ed oil imports." To use a helpful gy with private business, it was as banks were lending people money ver operating losses rather than for ctive investment.

go back to our original example: It make a difference whether the Ital- ınkers' money went to finance the trade or to finance wars. The one is ductive investment, the other is This is a major difference between reat wave of international lending ıvesting that took place in the 19th ry and the great wave that billowed er the world was OPEC-ed in 1973. Victorian Britain ed its surplus savings gentina to build rail- the railroads them- could generate the ıe to service the Not surprisingly, of 87 foreign govern- loans of £1 million ore issued in London 1860 to 1876, nearly had maturities of from 100 years to tuity.

if an American lends Arab money to rican nation so that African nation can oil, there is no pro- ve investment gener- cash to pay the in- . So much for those say, "Why not just hese loans over and " People will lend ong-term money to house or build a fac- But who would give 25-year loan for a big you want to throw row?

ınted that many of 's loans are hardly quidating, most peo- ssume the govern- s would not let their sink even if a num- poorer countries de- d; the governments ıeir central banks l take over the bad loans. If so, they might feed the flames of domestic inflation. There is also no guarantee of when, how and on what terms the government would intervene. In the 1932 presidential campaign, Franklin D. Roosevelt promised that, if elected, he would make sure that "it will no longer be possible for international bankers or others to sell foreign securities to the investing public of America on the implied understanding that these securities have been passed on or approved by the State Department or any other agency of the government." The great surge of U.S. foreign lending in the late 1920s was triggered by the 1924 Dawes Plan. An earlier version of today's petrodollar recycling, it provided that a big loan would be floated in several countries to finance the continued payment of war reparations by Germany. The U.S. share of the Dawes loan, managed by J.P. Morgan & Co., was $110 million. It was oversubscribed 11 times. The public impression of broad U.S. government support for foreign lending was reinforced by the intimate dealings between the State Department and New York banking houses during the U.S. military interventions in Central America and the Caribbean before 1930, when strong measures were taken to secure debt repayment by defaulting governments.

But under Roosevelt, the U.S. government did not intervene. Many banks failed and many countries defaulted on their debts. These disasters were both cause and effect of the drying up of international lending after 1928—initially to divert funds into stock market speculation. MIT economist Charles Kindleberger blames the cutoff in international credit for triggering and fueling the Great Depression.

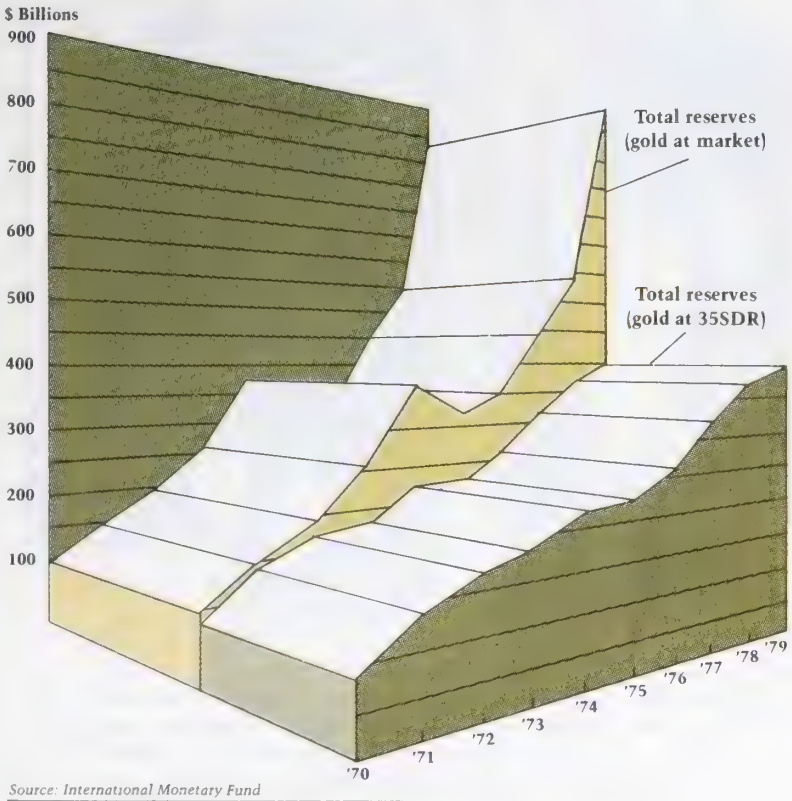
We've learned a lot since then, yet once again the financial world is in the same peculiar situation as when the victorious allies were trying to extort war reparations from Germany. It couldn't be done except through a peculiar arrangement under which the winners kept the losers in the game by bankrolling them. That's what's happening today. The poor countries of the world are losing their shirts to OPEC but, through the foreign banks, OPEC and the industrial nations are trying to keep the poor countries in the game. But the bankers are beginning to bridle.

"The smaller and medium-size European and U.S. regional banks now are refusing to go into syndicated loans," says a German banker, Hans Berndt of Mannheim's Badische Kommunale Landesbank. "A year ago there were about 250 banks participating in international lending, while today there are only 60 or 80. This leaves the burden of lending to the giant banks, many of which are reaching their limits of lending to the countries that borrow most."

German and Japanese banks have approached or exceeded lending limits to big borrowers like Brazil, and their governments are warning them to take it easy. German banks have been using Luxembourg, with its strict bank secrecy laws, as their "offshore" platform for launching the bulk of their $40 billion in outstanding loans to less-developed countries, but now their Luxembourg exposure is being consolidated into their general balance sheets in response to new German bank legislation. Like U.S. banks, German banks recently have taken a bad beating in the bond

Too much of a good thing?

Below, the enormous growth of monetary reserves held by the central banking authorities of all countries reporting to the International Monetary Fund—most of the Free World. Foreign exchange and gold are the biggest components of monetary reserves, as defined by the IMF. (There are two others: Lines of credit with the IMF and Special Drawing Rights, an IMF currency unit.) Central bankers like to value their gold at a constant price, usually SDR 35 per ounce. But if the gold component is accorded its current *market* value, total monetary reserves have grown to a potentially explosive degree.



Source: International Monetary Fund

markets and also have incurred heavy losses by lending at relatively low fixed interest; their capital is getting stretched thin. As for the go-go Japanese banks, which alone generated two-fifths of the huge increase in Euromarket lending in 1977-78, their finance ministry has since cut their foreign lending to half the $1 billion monthly rate of recent years and imposed country loan limits of 20% of capital, which blocked further loans to such big customers as Brazil and Nigeria.

The British strut in Paris in 1814

The British occupied Paris after the Napoleonic Wars and—as seen here through French eyes—acted as badly as conquerors tend to do. Britain's insistence on reparations then led the French to be equally hard on the Germans a century later.

Okay, you say. The banks may be in trouble. The poorer countries are in trouble. So, what's new? The governments will bail them out. What has all this to do with my business, with my investments, with my plans to buy a new house or build a new factory? Just this: The whole situation poses an almost impossible choice for bankers, politicians and ordinary people. Because international lending is becoming excessively risky, the world must choose on the one hand between a dangerous slowdown in world economic activity and the danger of even faster inflation on the other. It is not a comfortable choice. It can lead to defaults in the courts and blood in the streets.

We are accustomed to thinking of the post-World War II years as stormy, trying times, but in fact they witnessed an unprecedented expansion of international trade and a rise in the standard of living in almost every corner of the world—except where the prosperity was swamped by runaway population growth. Until the Seventies began, this steady expansion was restrained by relatively limited liquidity. During the Fifties and Sixties the world's monetary reserves grew by 2.7% yearly, one-third as fast as the growth of world trade. There was continuing fear of a possible "dollar shortage" and of insufficient world liquidity to sustain international trade. This caused constant complaints from the poorer countries who wanted easier credit, but it also helped to hold down inflation.

This sober but basically sound situation was reversed dramatically in the 1970s. Suddenly inflation rates doubled over previous decades in the industrial countries. They tripled in the poorest lesser-developed countries (LDCs). Inflation rates quadrupled in the "middle income" LDCs, from whose ranks came the biggest international borrowers: Brazil, Iran, the Philippines, Nigeria, Korea, Algeria, Turkey, Mex and Yugoslavia. Liqui was no longer a probl but inflation was.

During the 1970s, world's official reser took a quantum ju multiplying fivefold current dollars, from billion at the end of 1 to $398 billion by 197 central bank gold hoa are valued at the old c cial price of $35 an our But they multiplied *fold*—to $830 billio during the decade, if g is valued at market pri A large share of cen bank reserves of fore exchange earn interest deposits in the Euro kets, the central pool international liquid Not surprisingly this market also multiplied tenfold over the past dec to almost $1 trillion.

The name of all this is easy mone liquidity, in technical terms.

We must go back four centuries to f anything comparable to the monet expansion that took place during 1970s, back to the influx of New Wo treasure into the European econo through Spain and Portugal. But 16th-century money plosion occurred over much longer time sp than the current one. took 160 years (15 1660) for this treasure triple Europe's stock of s ver and increase the g in circulation by one-fif Foreign merchants, ban ers and artisans besieg and invaded Spain a Portugal to siphon aw this treasure by selli goods and services, just foreigners tried to siph away the OPEC surplus the 1970s. The Spani gold and silver bred inf tion on the bad side a vast economic develo ment on the good si FORBES has explained th phenomenon at leng (FORBES, *Nov. 15, 1976 a Sept. 15, 1977*).

What gold and silv were to Spain, monopol priced oil is to OPEC.

Since 1973, wh OPEC rulers began hol ing the world to ranso their currency reserv have increased sixfol The attendant inflati has cut the value of tho

Cartoon (1873) on Congressman Dawes and Vice President Colfax

Uncle Sam was not the only one who got no answer from the Credit Mobilier in the 1870s. Investors, many of them European, lost their shirts in one of the great financial-political scandals of its time, though it also helped build the U.S. rail network.

es, but using Morgan Guaranty's for discounting inflation, OPEC's n assets of $224 billion in 1979 l have been worth only $68 billion 74. The oil users have, in effect, nflation to partially insulate them- from OPEC's greed.

wing upon these OPEC surpluses as deposits or as certificates of it, the commercial banks have on a lending spree, much of it to the r countries. And this is how the have been kept in the game. Tin- -Evers-to-Chance. Western Europe oil from OPEC. It then sells enough to the poorer countries to cover eficit with OPEC. The poorer coun- pay for Europe's goods with money wed from the commercial banks. banks get the money from OPEC. is called recycling. You could also a confidence game.

977 a panel of distinguished econo- headed by the able Paul acken, former chairman of the U.S. cil of Economic Advisers, con- l this. The panel reported that in- alized nations' "ability to reduce il] deficit to levels below anticipat- gnitudes depended partly on larger ts in the nonoil-developing coun- These were possible sult of unprecedent- creases in private g to these countries, private banks in D countries acting as ibles for OPEC sur- unds."

ording to Interna- Monetary Fund cal- ons, there is a one- ag between increases e world's monetary es and expansion of orld money supply, 30-month lag before reserve increases t in world inflation. s rule of thumb, re- increases taking in 1979-80 as a re- f last year's and this stiff oil price in- s will be felt in price during 1982-83. If correct, the current ng of inflation will mporary, reflecting latively flat trend in ices between 1975 979. And perhaps xt burst of inflation ead to yet another ng of oil prices.

Euromarkets, all this liquidity ac- lates, had a humble ning. They were cre- in the 1950s as a st haven for the dollar holdings of Soviet bloc countries against the possibility of a U.S. freeze of their deposits, similar to what actually happened with last year's blocking of Iranian assets. Between 1964 and 1970, however, Euromarket holdings of dollars suddenly began to swell, growing from $17 billion to $90 billion in those six years. This was, of course, before OPEC had taken the bit in its teeth. What happened? Simply that the U.S. began running regular balance-of-payments deficits and at the same time U.S. Treasury regulations discouraged American companies from repatriating profits from overseas operations. These expatriate dollars settled in Europe, and the number of U.S. banks with branches and offices in London grew from 11 in 1963 to 60 by 1974. Like bees to honey, the U.S. banks went where the money was. Treasury regulations also made it more profitable for U.S. banks to keep deposits in overseas branches.

In 1971 the U.S. payments deficit suddenly tripled to $30 billion, hugely increasing the dollar holdings of foreign banks. Again, according to the McCracken Report on world inflation, the size of U.S. payments deficits over the period effectively removed balance-of-payments constraints in other OECD countries and facilitated a massive expansion of money supplies. The McCracken Report calls this explosion "the most important mishap in recent economic policy history." Suddenly, nobody was short of money. That may be a good thing for individuals. It isn't good for a world where there are only so many goods and services available.

Until 1973 the main source of such new reserves was the U.S. payments deficits. But after the 1973-74 OPEC price increases, OPEC became the leading supplier of outside funds—sucking the money out of oil users. Instead of only one powerful machine dumping liquidity into the system, suddenly there were two.

There is, moreover, an extraordinary multiplier at work in the Euromarkets. Because they are unregulated and free from reserve requirements, they are not dependent on new deposits to generate additional lendable funds.

How fast the system could spin and create new money like cotton candy was demonstrated in 1978, the year of greatest Euromarket growth up to that time, when the amount of money in its accounts expanded by $140 billion to $662 billion. In that year, loans to nonoil LCDs doubled to $26.9 billion. Easy come, easy go. In 1978, for example, Brazil increased its borrowing from $2.8 billion in 1977 to $5.6 billion; Korea, from $1.3 billion to $2.7 billion; the Philippines, from $700 million to $2.1 billion; Algeria, from $723 million to $2.6 billion.

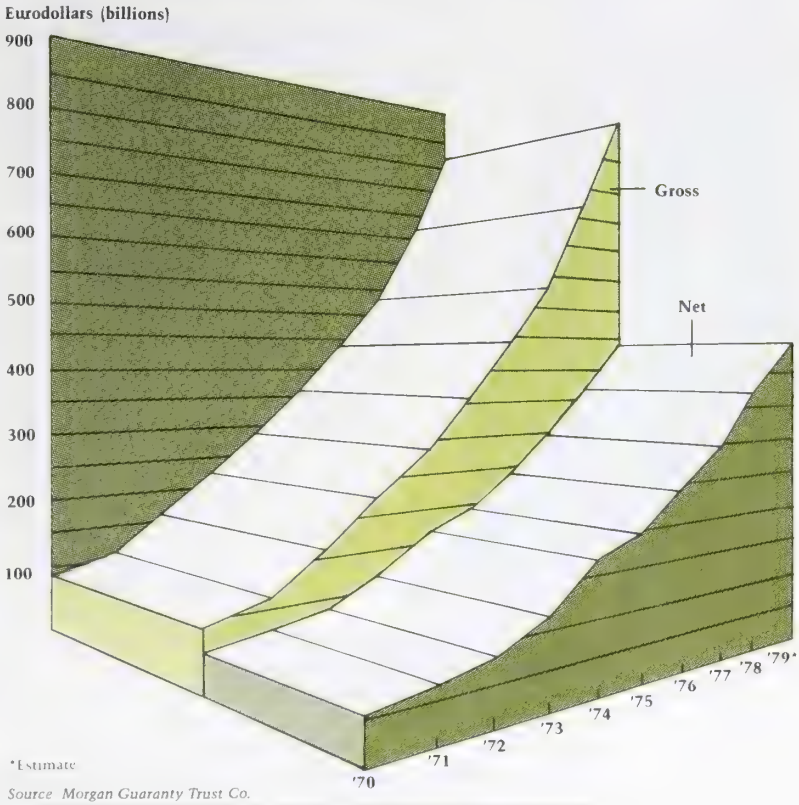
As a result of this new borrowing, central bank reserves in Latin America, for example, expanded by one-third during 1978, contributing to a rise in the region's general inflation rate from 40% in 1978 to 47% in 1979. Give people money to spend and they will spend it. There is no mystery as to why inflation took off in the 1970s.

Will the acceleration of economic development launched during the monetary explosion of the 16th and 17th centuries now come to an end as the money explosion of the 1970s and 1980s slows? For slow it must. Slowing it already is.

This question is hard to come to grips with because of the gossamer

Loose billions

Created largely by U.S. deficit spending and by repeated OPEC price increases, dollar holdings overseas are 8 times as large as they were a mere decade ago, making the Eurodollar market the most important source of international credit. Euromarket lending is beyond the reach of regulators. The gross size of the market is approaching $1 trillion, but the net size (with interbank transactions subtracted, a truer measure) is awesome enough at $445 billion.



*Estimate

Source Morgan Guaranty Trust Co.

forms that money has assumed during its rapid expansion, assuming new identities daily. It can be in the form of metallic commodities, paper currencies, proliferating credit schemes or items of electronic accounting on international computer networks.

Lord Armstrong, chairman of Britain's Midland Bank, is a retired civil servant who is fascinated by money's changing forms. "It's such a marvelous thing," he says. "If you imagine it beginning with cattle, or cowrie shells, or gold, and think where it is now, as metaphysical as a tap on a telex, or a click on a tiny computer, and yet basically the concept is the same thing. It is one of the most precious facts in the world, if you try to control money in one place, it gets uncontrolled in another. Liquidity is the word that is applied to it, but it is much more than that. It is gaseous rather than liquid. That is what makes it such a fascinating human invention, such an expression of freedom in a strange way, because it is literally uncontrollable. And yet it is like fire: You must prevent it from getting out of hand."

Charles G. Dawes (top left) *at a post-World War I reparations negotiation;* (below) *a wheelbarrow full of German marks in 1923*

Trying to squeeze 20 billion marks from defeated Germany soon led to virulent inflation there and an ingenious solution by the victors: Why not lend Germany the wherewithal to make the necessary reparations payments?

Money in recent months came close to bursting into flame. In late 1979 and early 1980 the value of the world's monetary reserves careened from month to month like a roller coaster as speculators shuttled back and forth between gold, commodities and the dollar. According to IMF statistics based on current gold prices, the value of world reserves jumped by 11.6% in one month (September 1979).

It contracted slightly last October, after the U.S. Federal Reserve jacked up dollar interest rates. It surged again by 13.5% in December and 16.4% in January after the seizure of U.S. hostages in Iran, the U.S. freeze of Iranian assets and the Soviet invasion of Afghanistan. Then the price of gold peaked at $850 per ounce in mid-January; the commodity markets collapsed; silver crashed; and interest rates began their descent, bringing a tidal wave of funds into the Euromarkets and forcing down the London Interbank-offered rate, the floating baseline interest rate for international lending. From nearly 20% in mid-April it fell to around 10% in May—to the great relief of U.S. corporate borrowers and of debt-ridden countries like Brazil.

Right now the situation is relatively quiet, but the international financial crisis is by no means over.

"Brazil illustrates the economic risks faced by U.S. banks," James H. Gipson, formerly of Boston's Batterymarch Financial Corp., warned recently. His was a rare public statement of a view that bankers usually express only in private. "To avoid a catastrophic default by so large a borrower, U.S. banks have no choice but to roll over their old loans and to make large new ones [to cover continuing payment deficits]. The real risk in foreign loans is a once-in-a-lifetime wave of defaults by many borrowers at the same time, an event that would render many large banks insolvent." Shades of the Medicis, of Baring Brothers, of the Dawes loans.

Until recently Brazil was the darling of the international financial community, because of the economic "miracle" of 1968-74, when Brazil's gross national product grew by an annual average of 10%. Brazil borrowed aggressively, doubling its foreign debt every three years since 1968. In a sens flation was Brazil's friend. Some econor calculate that, with v inflation averaging 1 yearly since 1973, the cost of amortization interest on an eight Eurodollar loan mad 1970 with a three grace period would be its original value. The zilians were paying creditors in 50-cent lars while their cred were pressing more lars on them!

But today foreign b ers are down on Brazi most to a man. This about illustrates why game may be ending, the winners of the m are no longer willin stake the losers.

The bankers are d on Brazil because B seems headed for a year crisis, with infl running at 87% for past 12 months and li to reach 100% by Ju present trends conti This year Brazil's ments for oil and deb vice alone will be rou one-fifth greater than government's $20 bi export target. In Jan 1979 Brazil's $12 bi in borrowed reserves worth nearly a year's ports, but since then Brazil's impor has doubled. Those reserves are b drawn down fast and could be dow three months of today's imports u Brazil borrows more money very soo

Last month the Bank of Montreal world's fifth-ranking loan syndicator into a stone wall. It was trying to re banks to take pieces of a $350 mi loan for Brazil's National Economic velopment Bank, the world's largest ernment development bank and viously a prized customer of for banks. The poor response to the loan especially embarrassing at a time v Euromarkets were being flooded new money and London Interban fered rates had dropped from nearly to 11% over a three-week period. In ing to sell the loan, the Bank of Mon offered to sacrifice its own manager fee and keep $125 million of the e sure for itself. Upon receiving an in tion to participate, Japanese banks sulted their finance ministry, which only vetoed involvement in the B loan but also warned that Japan's country-risk limits would impede r of its banks from joining new Brazil

ions for the rest of 1980.

ow Brazil and the world's major s, not knowing what to do, circle iously like two dozen prizefighters d into the ring by some absent-led promoter. Nobody wanted to e a general panic by striking the first , and nobody wanted to leave the alone to face the confusion in the y arena beyond the klieg lights and moke.

hile Brazil and the bankers were eye-ach other in early 1980, many small-eveloping economies were falling much more desperate financial ts. They include: Turkey, the Philip-s, Thailand, Korea, Sudan, Poland, stan, Nicaragua, Panama, Egypt, Ja-a, Zaire, Ethiopia, Kenya, Morocco Yugoslavia.

st year the volume of lending by mercial banks to non-OPEC devel-g countries expanded by nearly one-, to $35 billion, with the bulk of this ey being provided by 12 banks in nany, Japan and the U.S., plus the of Montreal. Prudence says the s should pull back. But banks are not ary private businesses, and the eco-ic viability of several ese countries is im-nt strategically, in way or another, to the r Western powers. will make the move?

veral debt renegoti-s already are under Small cases, not ly politicized, can be led easily. For exam-Togo, a little African whose per capita in-*declined* by 4.1% an-ly during the 1970s, able to reschedule million in debts kly this year. On the r hand, Nicaragua is anding rescheduling 490 million in com-ial bank debt, plus million in interest rs, over 25 years at lat interest, in a pack-hat would include a n-year initial grace d. Is that all the try's new rulers ? Oh, no. They also a substantial net in-of new loans as well. ter President Tito's n, Yugoslavia again is cted to play a volatile in East-West power ics. Its foreign debt nded from $1.6 bil-in 1972 to nearly $13 on today, even as ex-stagnated and as Yugoslavs working abroad were sent home, cutting off an important source of income for the country. To keep Yugoslavia from being absorbed into the Soviet bloc, Western governments will probably have to finance its foreign debt.

Such a bailout is now going on in Turkey, the economically prostrate member of the North Atlantic Treaty Organization. A $1.1 billion concessional loan package has been put together by 16 Western governments for Turkey, but Turkish negotiators in Paris have been saying they need $3 billion in 1980.

German banks have been heavily involved in intensive debt renegotiations with Poland, the largest debtor among Soviet-bloc countries. Commenting on Poland's efforts to stretch out payments of $6.5 billion falling due in 1980 on its $19.5 billion hard-currency debts to foreign banks, one American banker was very frank: "We don't want to encourage the Poles to go back to the Russians for help. On the other hand, we don't want to play the heroes, especially with Brazil's debts hanging over our heads."

Financial crises aside, all this could have dire consequences for international trade, upon which millions of American jobs depend. Apart from the small republics of Latin America and black Africa, the main countries now in debt trouble are the high-growth economies of the Seventies: Brazil, Poland, Turkey, Korea, Thailand and the Philippines. Good customers of the U.S., all of them. Can they continue to trade with the U.S. at the current rate, if U.S. banks can no longer finance the oil imports needed to keep their economies growing as fast as they did in the 1970s?

The big banks and the monetary authorities of the U.S., Europe and Japan are groping their way toward a restructuring of international lending mechanisms. They are awed by the prospective task of managing the enormous increase in the petrodollars expected to flow through the world's monetary system in the Eighties. The less-developed countries are being pushed in the direction of the International Monetary Fund in order to prevent them from putting too much stress on commercial banks.

Morgan Guaranty's senior vice president of international economics Rimmer deVries is one of international banking's most respected economists. He chooses his words carefully: "Greater direct lending by OPEC surplus countries to nations in deficit, the IMF substitution account and the provision of off-market diversification facilities all can play a useful role in lessening the economic and financial risks overshadowing the next few years."

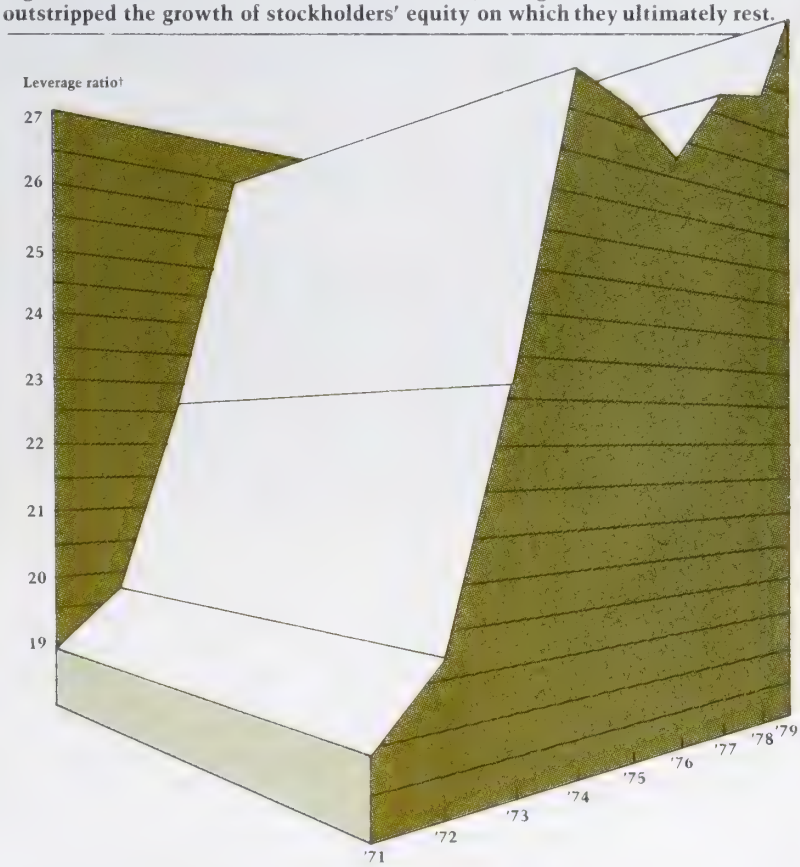
Don't be put off by the cautious words. DeVries is sounding the alarm. How much help can he expect?

The International Monetary Fund has about $30 billion available for lending to member countries, which is expected to expand substantially when a 50% increase in national quotas, soon to be approved, becomes effective this year. In early 1980 the IMF loaned $850 million to South Korea and $659 million to the Philippines. It joined in the Turkey bailout and may grant a large credit to Egypt. But how far can even $45 billion go? And how long can the world depend upon the unregulated, free-wheeling Euromarkets to decide the fate of nations?

At the April meeting of the Bank of International

Pressure at the base

As 1980 began, the ten largest U.S. banks* had total assets of $477 billion, mostly loans in one form or another to individuals, enterprises and governments. This mountain of debt ultimately rested on a base of $17 billion in the banks' combined stockholders' equity. Thus, the ratio of assets to equity was 28-to-1. A decade ago, the ratio was much lower—just 19-to-1. Despite growing reserves available to cover loan defaults, the growth in IOUs has far outstripped the growth of stockholders' equity on which they ultimately rest.



*The ten: Bank of America, Chase Manhattan, Manufacturers Hanover, Morgan Guaranty, Citicorp, First Chicago, Chemical, Bankers Trust, Continental Illinois, Western Bancorp.
†Average total assets divided by average common shareholders' equity.

Settlements in Basel, the world's central bank governors issued a stiff warning about the dangers of unsupervised Euromarkets to the international banking system.

Both the U.S. Federal Reserve and the Bundesbank have been seeking some kind of international control over Euromarkets, but this has been resisted by the Bank of England. The British like the idea of having hundreds of foreign bank branches creating many jobs and reviving London's former grandeur as the world's leading financial center. The British government has been so keen on reserving bank jobs for its own citizens that it has been denying work permits to senior executives of foreign banks to manage their London branches. But more recently, it has been reported that the Bank of England is in the process of changing its mind about controlling Euromarket lending.

While U.S. and German central bankers agree about controlling the Euromarkets, they are at odds about the urgency of the need to find a substitute for the dollar as the world's sole reserve currency; the Germans don't want their mark to share this role. The dollar's recent show of strength enabled the industrial countries to avoid a brawl over this issue at the Hamburg meeting in April of the IMF Interim Committee. Discussion was postponed on the proposed IMF Substitution Account, an attempt to soak up the hundreds of billions of dollars floating loosely around the world. Instead, the IMF staff was ordered to go to OPEC countries to borrow surplus petrodollars for recycling to deficit countries.

But the dollar problem won't go away. The dollar is likely to come under pressure as U.S. interest rates fall. What if the dollar turns weak again, as it probably will? If it does, there will be a gnashing of teeth in Washington and in European and OPEC capitals but a chorus of cheers elsewhere. This is because the U.S. can't solve its balance of payments problems without hurting world trade.

A cheap money lobby, something like the U.S. Greenback movement of the 19th century, is forming among LDCs. A trade boom, even if fueled by inflation, is their only hope for increasing exports in the short term and for getting new loans to pay off old loans and to buy oil. The LDCs are criticizing the IMF Substitution Account plan. After the IMF meeting in Hamburg stalled on the plan, Brazilian Finance Minister Ernane Galveas claimed a victory for his and other developing nations. The participating countries, he said, had recognized that "recycling dollars had priority over the IMF Substitution Account."

Manuel Moreyra, president of Peru's Central Bank, has become one of Latin America's more respected monetary officials for his key role in transforming Peru from an international financial pariah into an object of avid courtship by bankers. "The world is entering a period of deepening financial problems," he says. "The old Bretton Woods system, based on the dollar, may have had its deficiencies, but at least it was a system. It worked for 26 years after World War II, while both international trade and the world economy grew very fast. Now we have no system at all. The present floating exchange rate system is a complete failure. There is no mechanism for disciplining either surplus or deficit countries. . . ."

The U.S. hostages in Iran

The hostage crisis became a banking crisis after President Carter froze Iranian assets here last November. Most of Iran's $8.1 billion in foreign assets were in U.S. banks, but foreign banks held 70% of Iran's $8.9 billion foreign bank debt.

David Rockefeller in a FORBES interview *(June 9)* mentioned that the OPEC countries themselves were beginning to share some of the burden. Because they are now handling an increasing share of the oil formerly channeled through the Seven Sisters international oil companies, they are beginning to give direct credits. This will certainly help, but OPEC has never shown signs of being a charitable institution and, with a few exceptions like Kuwait and Saudi Arabia, its members need all the dollars they can get: IOUs from Jamaica, say, or the Sudan won't pay for machinery from Germany or wheat from the U.S. The LDCs realize this and continue to pray that international liquidity will remain swollen so that they can continue to borrow easily and, ultimately, cheaply.

At the moment the world faces two equally grim scenarios:

Scenario one: Lending will continue to dwindle, and there will be defaults from which the various governments have to rescue their banks. The countries will no longer be able to goods from the industrial coun which, in turn, will suffer depr economies and lack the means to OPEC. The entire world economy sink into low gear. The poor will st The rich countries will stagnate. the Communists will have nothin cheer about. The U.S.S.R. and Eas Europe depend heavily on world t and all seek cheap credits.

Scenario two: The merry-go-round speed up again. OPEC will continue ing oil prices. The politicians, unwi or unable to impose austerity on th dustrial countries, will encourage banks to provide plenty of liquidity for their own economies as well a those of the poorer countries; and i tion will move up and notch or two. For a w the faster inflation enable the poor coun to handle the debts constantly incur bec they will be servicing debt with dollars that constantly shrinking. the faster inflation, its attendant disrupti will end up by paraly the international ca flows upon which ev body's trade and p perity depend.

There is, of cours way out. With a stren ened IMF, the nati might gradually acce painful but bearable sl down in their econon while the money suppl brought under cont This is probably the *only* way out.

What are the prospects for such u of action? Would the French wheat fa er and the U.S. steelworker, the Zair copper miner, the German autowor and the Arab oil sheikh willingly acc what seem to be banker-imposed sa fices to help reestablish world finan stability? Would they reelect politici who tried to impose such sacrific Could the governments of nations Turkey and Brazil even survive the position of such sacrifices? To ask question is almost to answer it. without a slowing of world econor growth, without a partial drying up international liquidity, even worse c sequences loom.

We are in the midst of an internatio financial crisis so arcane that it rar makes the headlines or the even news. It is going to last for a long ti and have unforeseeable consequenc The money explosion started by Spanish silver galleons went on for years and changed the world. ■

ST. JOE OIL.

Below the turbulent waters of the North Sea, St. Joe discovered oil. And now, with the help of partners, this oil is about to flow.

The Buchan oil field is expected to contribute to St. Joe's earnings and growth when it begins production later this year. St. Joe also has significant petroleum interests in the United States and Canada.

Oil is just a part of St. Joe's exciting future. In the early 1970's, St. Joe embarked on a bold, but well-planned course of diversifying into rapidly growing markets for energy, precious metals, and natural resources. This ten-year capital expansion program should total over two billion dollars by 1984. And it is already beginning to pay off. Discoveries such as Buchan will contribute to St. Joe's expansion.

With all this happening, isn't it time you discovered St. Joe?

DISCOVER US.

ST. JOE MINERALS CORPORATION

ENERGY & METALS

For a copy of our Annual Report, write to our Chairman, John C. Duncan, Box 1, St. Joe Minerals Corporation, 250 Park Ave., N.Y., N.Y. 10017.

Sometimes st

e is everything.

Meet Gordon Conway, a self-taught fashion designer from the still raw "cowtowns" of turn-of-the-century Texas and the "finishing schools" of Lausanne and Rome. She was, for the brief period that America's adolescence flamed brightly in the Twenties, the very symbol and essence of its style.

She liked to pose as never having had a lesson in her life, and in truth, she had very few. It was the freshness of her instinct, not the conventions of the schools, that delighted and charmed her audience. In New York, London and Paris, she drew effortlessly—with fashions and designs for Parisian plays, London films and American magazines rolling smoothly off the tips of her elegant quill pens in her lavender boudoir. She borrowed techniques, mannerisms, nearly everything, but not her style. It was, as you can see, fresh, insouciant, feigning fashionable boredom but secretly delighted with itself. She was, in a word, us, in our youth.

That's one reason we sponsored this exhibition, and why we invite you to see it at the times and places listed below. In our business, as in yours, it helps to be reminded that natural verve and flair are always to be treasured, and that sometimes style—straight-forward, vivacious and direct—is everything. It helps to be reminded, too, that individual imagination, individual creativity, individual innovativeness are still the basics of any business. Sponsorship of the arts that reminds us of these things is not patronage. It's a business and human necessity.

If your company would like to know more about corporate sponsorship of art, write George Weissman, Chairman of the Board, Philip Morris Incorporated, 100 Park Avenue, New York, N.Y. 10017.

Philip Morris Incorporated

It takes art to make a company great.

Makers of Marlboro, Benson & Hedges 100's, Merit, Parliament Lights, Virginia Slims and Cambridge; Miller High Life Beer, Lite Beer and Löwenbräu Special and Dark Special Beer; 7 UP and Diet 7 UP.

"That Red Head Gal": Fashions and Designs of Gordon Conway, 1916-1936, organized by the American Institute of Architects Foundation, Washington, DC. It appears at the Octagon, Washington, DC from May 16 to July 20, 1980; Dallas Historical Society, Dallas, TX from August 8 to September 28, 1980; Chicago Historical Society, Chicago, IL from October 16, 1980 to January 18, 1981; Los Angeles County Museum of Art, Los Angeles, CA from March 12 to June 28, 1981. The exhibition is made possible by a grant from Philip Morris Incorporated on behalf of Virginia Slims.

Heinz Gundlach was an investment banker before becoming Fe Mart's chief executive. Perhaps he should have stayed on Wall Stree

German persuasion

By William Harris

THERE'S LITTLE to distinguish the interior of a Fed-Mart from a warehouse. This $1 billion chain, an unusual blend of discount store and food supermarket, offers almost no consumer comforts or visual enticements. No Muzak, no carpeting, no design difference between the food and nonfood departments. The sound of the public address system calling employees to the telephone grates constantly on shoppers' ears in the massive rectangular stores; the rows of steel shelving are endless.

Fed-Mart allows the customer only one sensation: mounds of merchandise. It's on the shelves or carelessly poured into steel bins, stored above the shelving or just piled on the floor. Often goods are left uncrated, simply stacked in slit-open cardboard cartons. A single bank of cashiers awkwardly service all departments. Everything about a Fed-Mart store shouts: minimal service, minimal prices.

However, this retailing austerity has proved eminently resistible to the Sunbelt shopper. Despite a $19 million advertising campaign that boldly proclaims Fed-Mart as "America's Greatest General Store," the company lost $11.1 million last year. The stock, selling five years ago at 25, is selling for 9 today.

But talk with CEO Heinz L. Gundlach and you'd never know anything was wrong. The 42-year-old former investment banker insists everything is wunderbar and unconvincingly points to the barely profitable second-quarter results. "The losses we had last year were not the result of bad management or of a det rating company," the fastidious G lach asserts. "We had planned for t We didn't want to polish up our n bers. We didn't need to. We have financial resources."

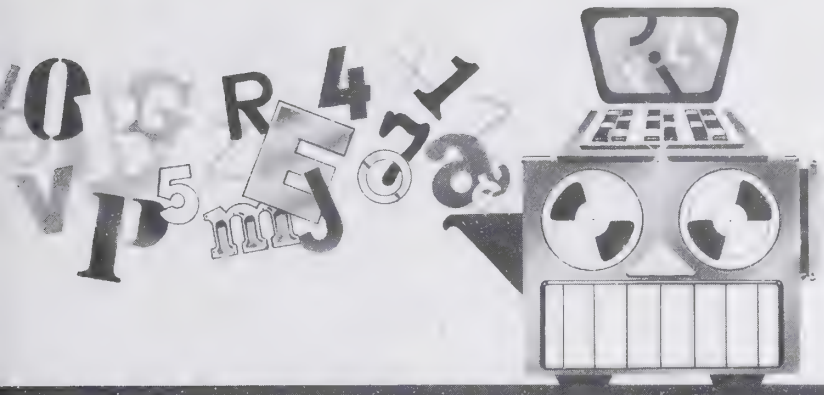
Fed-Mart does have at least one fi cial resource, German retailing g Hugo Mann. Five years ago Mann bo 64% of Fed-Mart on the advice of G lach, then a partner at Loeb Rhoa Since paying $22 million for Fed-M Mann has put up some $60 million n for remodeling and expansion.

Gundlach continues: "You shoul even call our situation a turnaround sibility, because we were never in shape. The reported earnings aren't that important," he explains from Mart's windowless, bunkerlike

Fed-Mart Vice Chairman and CEO Heinz L. Gundlach (left) *and Chief Financial Officer William Sliney in Fed-Mart's flagship San Diego stor*

A real estate bargain is one thing; good merchandising quite another.

Quite simply, this is what it means to be an information systems company.



Bell & Howell

Information is knowledge. To work for business, government, education or industry, it has to be controlled.

To control information is to store it, retrieve it, distribute it or display it. And that requires the creation of functional innovations.

When these innovations interact, a system is created that makes information work. An information system.

Bell & Howell provides microimagery systems, mail and remittance processing systems, video and learning systems, and electronic instrumentation systems to accomplish this end.

Our business is information. And our job is to make information work by providing the means to control it.

Quite simply, Bell & Howell is one of the leading suppliers of information systems in the world today.

Information is the business of today's Bell & Howell.

If you would like to know more about what Bell & Howell is doing in the field of information systems today, call or write James Ritchie, Staff Vice President, Corporate Relations, BELL & HOWELL, 7100 McCormick Road, Chicago, Illinois 60645 (312) 673-3300.

Diego headquarters. "What's more important is cash flow. Our stockholders are interested in our future. They know the values we've created which aren't reflected on the balance sheet."

That's an apparent reference to potential sale value of Fed-Mart's land, buildings and fixtures. Gundlach, a keen numbers man, bought the 22-store Two Guys West Coast division in 1978 for a price reportedly way below book value. With that move he doubled Fed-Mart's selling space, boosted last year's sales 40% and got a real estate bargain besides.

But realty bargains don't sell merchandise, especially in the highly competitive, fast-growing Sunbelt, where Fed-Mart operates its 68 stores against competition from the likes of K mart, Target and Gemco. Gundlach may know numbers, but he has no merchandising experience except five years at Fed-Mart.

Former Fed-Mart executives claim Gundlach won't delegate merchandising responsibility. That may be finally changing in the revolving-door executive suite. Fed-Mart, after a three-year search, has a new president with a diverse retailing background: Bernard Litwak, former president of King's Department Stores. William E. Sliney, a recruit from Carter Hawley Hale Stores, is the newly appointed chief financial and administrative officer.

The new team is all enthusiasm. "This kind of operation, a one-stop shopping center, will attract many more people than any other form of retailing in the years ahead," exclaims Litwak. "We could be the K mart of the 1980s."

So much for the future. For now, one of Litwak's first goals will be to curtail internal pilfering, said to be twice as high as the industry average. Attracting nonfood shoppers is an equally high priority. So far Fed-Mart's customers are food shoppers, and food, with its minuscule margins, isn't very profitable. Food is there to lure customers, who might also buy other merchandise such as clothing and shoes, where the margins are a sparkling 40%. Unfortunately softlines account for less than 10% of Fed-Mart's volume.

Hugo Mann operates two retail chains in West Germany, Wertkauf and Mann Mobilia. He is credited with introducing the "hypermarket" concept to Europe; his average Wertkauf store is 200,000 square feet, and all utilize the impersonal, austere retailing style that Gundlach has obsessively mimicked at Fed-Mart.

But it should be painfully obvious to Mann by now that what works in Germany does not necessarily work in the U.S. Shoppers here like some comforts, some service and some conveniences. Who wants to wait in line behind someone trying to maneuver a week's worth of groceries and new lawn furniture around a cashier?

Now that a management team is finally in place—and if Gundlach lets his new president actually implement merchandising strategies—Fed-Mart could pull out of its slump. Patient stockholders might get a reward by exercising some warrants that Fed-Mart recently handed them gratis. The warrants give shareholders, except Mann, the right to buy common at 14. They were designed to let stockholders increase their equity position in Fed-Mart in proportion to Mann's, whose preferred stock was recently converted into common, giving him 88% ownership. The warrants will be very attractive if the stock goes back up before the August 1981 expiration date.

Some analysts believe Mann will take Fed-Mart private, the better to enjoy all that undervalued real estate. With value at $17, Mann would probab up paying at least twice the curr market value. "Mann's operati Germany are private," comment lyst Dennis E. Ross of Davis, Ska Co., "and at this point, having to p all those pages of Fed-Mart press rel file reports and answer stockhold analyst questions is more of a nu than anything else."

Heinz Gundlach, the erstwhile m man, says that going private is th thing on his mind. He's thriving challenges of his new-found retaili reer. He projects Fed-Mart will even this year and make money in Right now, however, "America's est General Store" is hardly that. ■

On television, Midlantic prides itself on be "the hungry bank." Has it bitten off m corporate loan business than it can chew?

Prime-time bank

By Carol E. Curtis

IT'S SATURDAY. You're holed up in a midtown hotel with foreign buyers. There's a problem—your credit. You call your banker. He jumps into the shower, dresses, drives 20 miles, meets you. By dinner's end, the deal is closed.

Real life? You kidding? It's the opening of a television commercial for Midlantic Banks Inc., New Jersey's second-largest bank holding company and easily the bank with the most unconventional approach to marketing.

Since 1978 Midlantic has been using network television in New York and Philadelphia to push its image as "the hungry bank" through ads like this one—and to aggressively seek out commercial business in a mass consumer advertising medium. One analyst with Morgan Stanley now singles out Midlantic as New Jersey's most aggressive bank. Adds another bank expert, "They are waging an unbanklike campaign. But it is a good, solid bank."

Its use of network TV is not the only thing that distinguishes Midlantic. By his methods, you might mistake C man and Chief Executive Officer R Van Buren for a door-to-door salesm

Van Buren, who appears in all bank's TV commercials, is not your dard good, gray banker. In one com cial, he makes a sales pitch wear hard hat in the middle of a constru site. In another, Van Buren boasts th has personally telephoned 1,712 Ne sey companies to solicit business. the ad: "Messages come through cle when they come from the top."

Now, seated in his elegant offi company headquarters in West Ora Van Buren looks more the traditi CEO, more the direct descendant of tin Van Buren, eighth President o U.S. But when he starts talking busi the salesman comes through. "Afte ads appeared, I had wild weeks," h thuses. "One morning, I got 22 call 10 a.m. I answered them all persona

Van Buren believes that televisio vertising has helped give Midlantic n recognition. "We were trying to ch the perception of the bank. Results been very significant, both internally

Even if you arrive with the dawn, your room at Hyatt will be waiting.

When you have an American Express® Assured Reservation℠, Hyatt will hold your room through twilight, through dinner, through the night—even past dawn.

An American Express Assured Reservation means your room reservation is guaranteed even if you arrive much later than you expected—up until check-out time the following day.

Just give the Hyatt operator your American Express Card account number when you call for a reservation. The reservationist can give you all the details.

If you find you won't need your room after all, be sure to cancel your Assured Reservation before 6 p.m. destination time (4 p.m. at resorts) to avoid being billed for the night. Remember to get a cancellation number for your records.

Capture the spirit℠, enter a world of breathtaking atriums, lush greenery, luxurious guest rooms, and gracious service.

It's called A Touch of Hyatt®. And there's nothing quite like it anywhere else in the world.

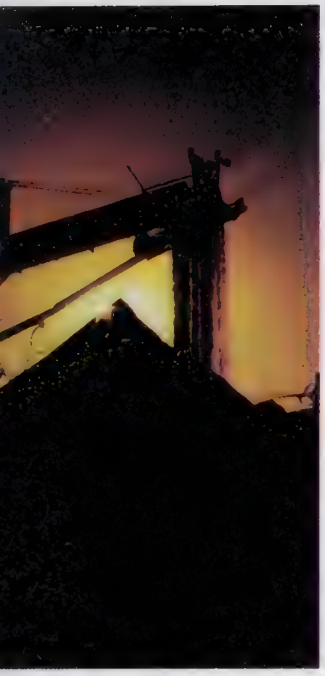
To make an American Express Assured Reservation℠ at any Hyatt Hotel, call 800-228-9000 or your travel planner. And Capture the spirit℠. Hyatt Hotels. Worldwide.

The American Express® Card. Don't leave home without it.

The right mix at the right time

We've made a record commitment to exploration.
We've budgeted a record $85 million in 1980 to find and tap new reserves of natural gas and oil. We're drilling, by ourselves and with other energy explorers, over 100 new wells on a million acres of leases in the southwestern and Rocky Mountain states and offshore in the Gulf of Mexico.

INTER



gearing up
e coal boom.
lfur Western coal gains
nce as an energy source.
start-up position last year,
to market nearly a
ons of coal next year
r mines in Colorado.
n Coal Company has 340
ons under lease.

We've gone to sea.
Northern Arrow and Northern Eagle I, our two new ocean-going L.P.G. tankers, completed gas trials in Norway and are now operating in world-wide trading. Each has a 20-million-gallon capacity. Domestically, we're extending our capacity to produce propane, ethane and other liquid fuels as demand for them rises under pressure of escalating prices of imported oil.

Conversion to natural gas accelerates, and we're ready.
Northern Natural Gas Company, through its utility customers, is ready to meet the demands of business and homeowner conversion to natural gas for heating and other purposes. In the mid-80s we look forward to drawing on the 3½ trillion cubic feet of natural gas we have under contract on the North Slope of Alaska.

Our new cellophane substitute takes less energy to produce.
Industry is searching for a cellophane substitute which takes less energy to produce and causes less pollution in the process. Northern Petrochemical Company is adding another plant to meet that need. It will produce from 15 million to 20 million pounds a year of biaxially oriented polypropylene film — a stiff, sturdy, clear film to replace cellophane in some areas of the packaging industry.

InterNorth is positioned across a wide spectrum of the energy front. Our strong base in natural gas provides stability, a dependable financial foundation for other profitable ventures in some of the most promising areas of the energy field. That's the right mix at the right time.

For further information call: Roy A. Meierhenry, Vice President and Treasurer, 402-348-4937

NORTH

Northern Natural Gas Company ▪ Peoples Natural Gas
Northern Liquid Fuels Company ▪ Northern Petrochemical Company
Nortex Gas & Oil Company ▪ Northern Coal Company
Home Office: Omaha, Nebraska

We've made a deep impression.

The Case name is highly respected by construction equipment experts on six continents. This particular 120' x 30' x 4' deep earth sculpture, the handiwork of one talented operator and his Case loader/backhoe, demonstrates the precision and maneuverability of the machine that's the number one choice of contractors around the world.

But we produce more than loader/backhoes. In fact, we offer construction equipment customers the broadest line of equipment: crawler loaders and dozers, hydraulic shovels and excavators, wheel loaders, skid steers, trenchers and compactors. Quality machines that are supported by a parts supply system that uses the latest in computer technology to keep them on the job all over the world.

Such impressive performance by Case has made it the fastest-growing company in the field and the second largest construction equipment manufacturer in North America.

J I Case
A Tenneco Company

TENNECO

case

nally," he maintains.

ere is no question that Midlantic's h is spurting. According to an anal- by John J. Ryan & Co., Midlantic first in earnings-per-share growth g New Jersey's top ten banks since (up 176%), first in stock price h (up 68%) and second in growth of , deposits and loans. A study by tment firm Keefe, Bruyette & s found that over the last decade ompound growth rate of compara- ze northeastern banks averaged a 2.3%. But since 1975 Midlantic's ound growth rate has been a ny 12.5%, ranking it with booming cial institutions in Sunbelt states Texas and California.

h assets of $2.95 billion, $1.8 bil- n loans and per-share earnings last f $7.91, Midlantic is gaining fast on Jersey's number one bank holding any—First National State Ban- —which has assets of $3.1 billion.

despite the Sunbelt-size growth, ntic's future is not unclouded. analysts wonder if "the hungry " may have bitten off more loan ess than it can chew—and the g kind at that. "You are probably oing to get good quality [loans] cus- rs by hearing about a bank on TV," ains Robert G. Planer, a research analyst for Keefe, Bruyette & Woods.

It is no accident that Midlantic's literature picks 1975 as the base year for charting growth. That year, earnings per share were $2.27. The year before, they were $4.38, a one-year earnings falloff of almost 50%.

The cause was no mystery. In 1973 Midlantic had plans to start a Real Estate Investment Trust. But when the floor fell out of REITs, the bank was left with $68 million in nonperforming assets, over 7% of its loan portfolio. The industry average is about 1.5%. The company dropped its REIT plan like a hot potato.

Nevertheless, analysts point out that the bank is once again taking on some high-risk corporate-loan customers. "When a problem situation comes up in New Jersey, their [Midlantic's] name is usually included," says Robert Planer. For example, Planer cites Midlantic's $6.2 million loan to Itel, a company that is in deep trouble with its creditors. There are other controversial customers, including Chrysler Corp. Says Planer, "It is a question of whether they have taken on too much risk."

Midlantic is also more involved than any other New Jersey bank in financing Atlantic City casino construction. It is the bank behind Caesars Boardwalk Regency hotel-casino and the Greate Bay and Holiday Inns casinos due to open by the end of next year. In March Midlantic also completed acquisition of Atlantic National Bank, whose physical presence in the resort area gives Midlantic a major stake in sustaining growth in Atlantic City's casino business.

Some analysts feel that Atlantic City's luster could dim rapidly if gambling comes to neighboring areas like the Catskills, the Poconos and Coney Island. "I am concerned about Atlantic City holding on," says Planer. "Loans there could still be risky."

The marketplace has yet to signal its confidence that Midlantic's growth is solid. The stock is selling over-the-counter at 3.3 times primary earnings, significantly below the P/E ratio of 5 that is average for U.S. banks.

Is it a bargain at that low multiple? "I wouldn't buy it until the recession is over," says Planer. "I want to watch it go through another cycle to see if it's for real."

Midlantic's Executive Vice President Robert J. Schoen listens to these complaints and dismisses them. "We are going to surprise the skeptics," he says. "Our earnings will continue to go up, because we looked to see what we did wrong in 1975. None of those circumstances are present now." ■

ntic's Van Buren; behind him on the TV screen, a hungry banker commercial
ing on a mass medium to attract a select few.

Can a finance professor and novice outperform Wall Street's gunslingers at portfolio management? Here's one who can.

Beating the big boys

THE SECRET FANTASY of every finance professor is to manage a portfolio and beat Wall Street's high-powered professionals at their own game. For the past seven years David G. Bronner, secretary-treasurer of Alabama's public pension fund, has been living out that fantasy.

When he left academe at age 28 in 1973—never having managed more than his biweekly paycheck—to take over the antiquated Retirement Systems of Alabama, the fund stood at $700 million and yielded a skimpy 6%. Today the fund has almost tripled in size and the yield is a far healthier 8.7%. Not bad for a novice, but only part of the story.

What has really impressed and mystified Wall Street is that Bronner, working virtually alone, has timed both the stock and bond markets with a skill that the most prestigious brokerage firms can only envy. In late March, for example, Bronner plowed $90 million into Ginnie Mae paper, just before rates tumbled from their record-high levels. So far the move has generated $16 million in profits, with more to come if rates continue to fall. "I don't know if he's a genius or just plain lucky," quips an admiring broker. "He's probably a little of both."

The ever-affable Bronner is equally unable to explain his timing. "We use the same techniques that other funds use except we're more conservative," he shrugs. Like many successful money managers—in fact, like many successful people in any field—Bronner is unable to verbalize the reasons for decisions based essentially on "feel." One of his coups, for example, was to sell lower-yielding Detroit Edison bonds in 1975 and reinvest in much higher-yielding Consolidated Edison bonds. Con Edison was believed near bankruptcy and its bonds were on the bargain counter. How did he know Con Edison would be saved and its bonds recover smartly? "It just figured," he says, "that New York was always going to have a utility com-

David G. Bronner of Retirement Systems of Alabama
Out of the ivory tower to beat the city slickers.

pany." "Feel" is the only word f

One thing is clear, however: Br is anything but a dreamy professor The hard-driving son of a pool-hall ager, he simultaneously picked up degree and a Ph.D. in administrati the University of Alabama in 1972. a brief stint teaching finance, he be assistant dean of the law school— before his 30th birthday. He then ju to his present job.

The Alabama money man first to Wall Street's attention in early A Phillips Petroleum well in the N Sea had just suffered a massive oil and investors—acting like angry ronmentalists—were dumping the s The shares were selling at a bargain- ment price of $23.75. Bronner plu down $2 million to buy 80,000 shar Phillips. Soon the spill was forgotter the shares rocketed to about $47, c ing a quick profit of $1.9 million.

Of course, other investors buy on news. What makes Bronner succes He pauses thoughtfully, then tries t plain: "Phillips' problems were only porary and the stock was undervalue

More recently, Bronner bought 25 shares of K mart for $17.75 and 25 shares of J.C. Penney for $13.50. K mart stock has since jumped to while the Penney shares have move $17. Says Bronner: "Retail stocks getting beat up on the front pages, ju Phillips was three years ago."

Is a small staff a weakness in fin such bargains? Not according to Bron who works with one full-time assis and three part-time college stude "We don't have the people to follow broad market so we play at whate table is hot." He says this apparent li tation works out as an advantage.

Retirement Systems of Alabama is tually made up of two funds—a $ million fund for city, state and cou employees as well as a $1.4 billion f for the state's teachers. It curre tracks around 40 stocks. Last yea traded only half that number, beca the problems of active stock trading f public pension-fund manager are en mous. "If I make investments that p duce $10 million but lose $10, I'll pr ably get hung," snorts Bronner in a moment of anger.

But Bronner did get his bosses to t one gamble. When he first took the j he says, the office was "a total dum He made a proposition: The fund $20 million sitting in a little-used che ing account. Let Bronner invest t money and use whatever he earned build the fund a new headquarters. Br ner raked in $3.5 million in just months and he got his building. Tod he sits in his spacious, well-appoint

The electronic express.

ow you can lower the cost of electronic mail with a fax network that puts precisely the right equipment in the right place.

dex® facsimile communications systems you more ways than ever before to transmit ments, charts and graphs. Across the country e world.

e give you a choice of speeds. From the low-cost 1100 that transmits a page in two minutes up to igh-speed dex 5100 digital system that does the e work in as little as 20 seconds.

nd our exclusive DEXNET™ network lets you gether any variety of machines that meet T standards. Analog and digital. Attended automatic. High and low speed.

last you can build a communications network the proper equipment matched to specific ications. This can increase the efficiency of electronic mail system. And lower its cost.

nd you can easily plug additional equipment in u need it. Without disrupting your existing network.

And remember, every Burroughs system fulfills the need that counts most in your business: increased productivity. Burroughs has understood this for over 90 years.

That's why we provide total capability in information management. Computers, word processing systems, facsimile communications, system software, application programs, customer training, maintenance, plus business forms and supplies. We call it Total System Support. And it's there to help you improve your productivity.

For more facts, write Office Automation Division, Burroughs Corporation, Dept. FRB-9, 95 Horseblock Road, Yaphank, New York 11980. Or call (516) 924-0700, Ext. 333.

Burroughs

One corporation covers a world of energy.

Pioneer Corporation
Exploring and producing oil and gas in America for America. And it's working. Revenues of over $732 million in 1979, with 72% of operating income generated by subsidiary companies engaged in oil and gas production and in natural gas liquids extraction. Pioneer Corporation. Committed to growth.

For additional information, write to:
Director of Corporate Communications
Pioneer Corporation
P.O. Box 511
Amarillo, Texas 79163

PIONEER CORPORATION

International Tool and Supply Co., Inc. • Pioneer Gas Products Company • Pioneer Natural Gas Company
Pioneer Nuclear, Inc. • Pioneer Production Corporation • Pioneer Uranium, Inc. • Plains Machinery Company
Sharp Drilling Co., Inc.

Listed on the New York Stock Exchange (symbol PNA)

sixth-floor office overlooking th
of Montgomery's historic state
With his youthful good looks an
piece suit he looks every inch t
cessful investment manager.

He richly deserves that office
the past four years, the fund's stoc
folio—which is far smaller than th
portfolio—bested the Dow aver
96% and the Standard & Poor's in
11%. "If he were a private mone
ager, there's no telling how suc
he'd be," says an admiring broker

Bronner isn't looking to the stoc
ket for performance right now. "T
presidential election year, so i
rates and the stock market will
volatile," he says. "My biggest con
that the Administration will try
en the downturn. If so, the recessi
not be severe enough to wring in
out of the economy and marke
bounce all over the place." So w
Bronner going to do with the $16 n

***Is a small staff a weakne
finding bargains? Not ac
ing to Bronner. "We don't
the people to follow the b
market so we play at u
ever table is hot."***

he just pocketed on the Ginnie
"Most of it is going into short-te
curities. Yields are still historicall
and short-term paper is the best pl
be until the economy's direction c
determined."

With a salary of $57,000 a year h
he's living the good life, even thou
could probably earn twice as mu
more in private money managemer
says he's happy where he is and h
plans to move. But, at 36, he
change his mind.

Surprisingly, Bronner says he is
less concerned about making m
than he is about heading off what he
the number one problem facing p
pension fund managers: the pressu
make socially desirable investm
even if they lose money.

You know the syndrome: *no* to
thing involved in South Africa, no l
stocks; but *yes* to financing housi
slums and promoting solar energy
investment manager's allegiance
feels, is to the taxpayer and the pen
ers, not to somebody's pet cause.
ner can't avoid the pressure but he's
dling it in his own way. He plans to
by concentrating more of his highly
itable investments within Alabama,
of the poorest states in the nation.
ing with such policy problems, he sa
probably the hardest part of his job.
just a trace of boredom in his voice
adds: "Making money is actually
easy."—*Thomas C. O'Donnell*

ck with the facts." That's been a prime rule accounting. But with chronic inflation d shifting exchange rates, what are facts?

Relativity comes to accounting

Numbers Game

ANY OF THE ACCOUNTING ISSUES so hotly debated these days are variations on a single theme: d companies—and their accoun- -deal exclusively with the past, or l they take crystal ball in hand and an attempt to judge the future?

e it not for inflation, this question be mildewing in accounting texts. doesn't take long for rising prices ke many of the numbers on tradi- financial statements obsolete—a ular problem for capital-intensive ries, where assets wind up valued gure with no relationship to what e worth. With so much informa- nrown off base by inflation, it is singly difficult for the investor to reasonable predictions about a future—without a little help from mpany.

one side of the battleground stand companies, extraordinarily reluc- o release to the public the forecast- ures that they produce internally. After all, such disclosure subjects a company to two great fears: The forecasts could be high and wrong—or low and right. Either way the company is in trouble. On the other side stands the Securities & Exchange Commission, which decided in 1978 to encourage forecasting. And in the middle, manning the mortars, are the Big Eight firms, which take stands ranging from Peat, Marwick, Mitchell's interest in taking on the work to Arthur Andersen & Co.'s steaming opposition to the whole concept.

Rising above the battle, like Greek gods peering down at the Trojan War, are two of the statesmen of accounting: John C. (Sandy) Burton, 47, former chief accountant for the SEC and now head of Columbia Business School's accounting department, and Oscar Gellein, 69, a onetime member of the FASB, now in thoughtful retirement from Deloitte Haskins & Sells. Logically, knowledgeably, they have come down on opposite sides of the issue.

In his quest for future-oriented information, Sandy Burton is a pragmatist. "When the FASB says that the primary objective of financial reporting is to enable investors to predict the amount, timing and uncertainty of future cash flows, they can't reject out of hand that a forecast might be the most useful information. You only look at the past because you're trying to anticipate the future."

Disagreeing, Oscar Gellein insists that the accountant's traditional distinction between the past and the future must be preserved. "It solely gets down to this: Can accountants measure the future with sufficient reliability that people will believe the report? If you try to mix in everybody's future perceptions, pretty soon you'd have a state of accounting that nobody has confidence in." Gellein has seen enough forecasts go down the drain to be rendered permanently suspicious, but it's not the unreliability that bothers him so much as crossing the traditional borderline from past to future too quickly. "A forecast is not a financial statement. I see a big difference between the two. Is the public better served if the reporting focuses on forecasts, or if we develop the maximum usefulness of the statements we've got and assume that sophisticated users should make their own forecasts? Accounting is a reference point." Why dilute the credibility of the General Motors financial statements by including forecasts of car sales when more disclosure of GM's financial data—how old their plants and machines are, for example—would enable investors to make their own forecasts.

Burton recognizes the problem and rattles off suggestions for a forecasting method he thinks would be accurate in the long run. "It could be a naive forecasting model, where you would take, say, sales, gross margins, a few other things of that sort over the past five years, then fit a trend line to them and see what is implied for next year. If the

Gellein (left) *and John C. Burton*
choices to make as the future becomes more iffy.

company has a forecast which is substantially different they should disclose it and explain it. And they should go back and compare this year's results with last year's forecast. I think that's very useful information."

Gellein thinks that's all a waste of time—that it would be more useful to do a better job describing the past. Here he thinks more disclosure would help. "It would help to have depreciable costs classified by length of asset life—people need this to forecast when the company will have to pay to replace those facilities. You should also break out costs that are significant but occur sporadically: major maintenance, or a big advertising campaign."

Burton agrees with everything Gellein wants. He simply thinks all that supplemental information has to include forecasts, too. There are too many variables left unaccounted for otherwise: new competitive threats, the possibility of raw material shortages, a major new product introduction or radical technological change.

One area where the past-versus-future question is crucial is in pension accounting. In the FASB's recent pension-plan accounting statement *(Numbers Game, Mar. 17)*, the board decided that pension-plan liabilities couldn't take into account an employee's future salary, even though future salary determines how much in benefits the plan will be shelling out. Gellein was on the board at the time and thought long and hard about the question. He reasoned that here, too, accountants had better stick with the past. "Measuring final pay," he says, "is something accounting has no competence to do. I don't think anybody does. You don't know that final pay might be higher—it might be lower, too. These things can always go the other direction."

Even the controversial area of translating the statements of foreign operations involves a leap into the future. Right now all overseas transactions and even the subsidiary's balance sheet are translated into dollars at the end of each period. Any difference between now and the previous period gets counted as income (or a loss, if the dollar does well). Here again, Gellein wants more information about that foreign income number. "Right now all kinds of income effects are lumped together, and the only solution I have is to break them out and describe them. Some may be income, some not." To minimize the sharp swings on income statements that have resulted, some accountants have suggested not running all the currency translations through the income statement but simply increasing or decreasing retained earnings.

Confusing as the current system may be, at least it's consistent; Gellein thinks if you *don't* take all the changes through the income statement, you're making assumptions about the future again. "If you translate the whole balance sheet you do produce a gain or loss, and if you don't take that amount to the income statement, you're *implying* that in the long run the exchange rate will even out. Otherwise, you'd have to say that that gain or loss was income." In other words, show the fluctuations for what they are: the chances you take for operating overseas.

Sandy Burton's rejoinder is that the current approach, where all gains and losses show up on the income statement, is another example of the FASB's current interest in objectivity in the statements—in this case, translating everything rather than making a judgment call on what is income.

How will the past-versus-future dispute ever be resolved? Over the term Burton and Gellein agree th most basic accounting concepts m be defined more precisely—a need ed up by the foreign-currency con about "income." Deciding what in capital and liability really are, and time periods you're talking about, help resolve dozens of sticky ques When does a firm have sufficient ca When is a pension a liability? It also expedite standard-setting discu on other matters, since argu wouldn't have to start at square o each problem. "Without consens concepts," Gellein warns, "you ha argue the basics inconclusively time you talk about a specific topi Gellein is arguing for a go-slow app on changes. "I'm an evolutionist says. "Try to take too big a step an won't take any."

Burton's reply? He is proud of th curities & Exchange Commission quirements in its proposed new 10- port for a management analysis se that would ask for far more in the w prediction than is currently encour Such a step, he feels, is crucial alon way to providing investors with a w range of projections.

It's easy to understand account reluctance to put their names on bers they consider unprovable. chronic inflation has shifted the gr from under the hard figures accoun traditionally lived by. Since the f itself has become more iffy, more u tain, more surrealistic if you will, accounting itself probably has no c but to become more interpretive. past is no longer a wholly reliable g to the future, and everybody, acc tants and investors included, has to with that.—*Thomas Baker*

Is the big, privately owned company a relic of the past? If it is, nobody bothered to tell the owners of these giant outfits.

Private lives

Statistical Spotlight

THERE ARE MORE rugged individualists in America than most people realize. No fewer than 28 companies with $1 billion or more in sales remain stubbornly private. The largest, Cargill, the Minneapolis grain wholesaler, had 1979 revenues of $12.7 billion. Bechtel, the San Francisco construction company, maintains its private ownership even though its revenues are approaching $7 billion. Koch Industries, the Wichita oil company, remains pri-

vate with $3.8 billion in revenues. recent takeover offer from the priva owned investment company Tamco terprises succeeds, City Investing C $7 billion insurance, manufacturing home-building conglomerate, will the private ranks.

Some of the U.S.' most familiar p ucts—Johnson's Wax, Hallmark ca Mars bars, *Reader's Digest* and the Chi *Tribune*—are all turned out by pri companies. What *keeps* them priv Says Charles C. Gates, chairman of $962 million (revenues) family-ow Gates Rubber Co., "In public compa investors measure investment valu terms of earnings and dividends. Pri investors are first concerned with endurance of the enterprise."

Thanks to the increasing paperw required of public companies and

When was the last time your family had a reunion?

When was the last time you had a friendly argument ith your Uncle? Or tasted Grandma's apple pie?

Last Sunday? Last year? Too long ago?

Then maybe it's time you rediscovered the family spirit. nd the chance to share the joys that are unique to ach American family.

At USLIFE Corporation, we strongly believe in the pirit of the family. After all, countss American families have made SLIFE what it is today—one of the ggest life insurers in the country. /e also provide families across America with everything from consumer credit to savings plans and title insurance. In fact, with ten life insurance companies and ten other financial services companies in our organization, you might say USLIFE is a family, too. A family of companies.

Let the USLIFE family insure the strength of your family. Just look for the USLIFE company where you live.

And why not make plans for your family's get-together soon. You may have the time of your life.

USLIFE
life is a family affair

USLIFE CORPORATION
125 Maiden Lane, N.Y., N.Y. 10038

UR FAMILY OF COMPANIES
e United States Life Insurance Company • USLIFE Life Insurance Company of California • USLIFE Credit Life • Great National Life • Old Line Life • All American Life • General United Life • coln Liberty Life • Sooner Life • Security of America Life • USLIFE Advisers, Inc. • USLIFE Credit Corporation • USLIFE Equity Sales • USLIFE Financial and Insurance Services • USLIFE Realty • LIFE Real Estate Services • USLIFE Savings and Loan Association • USLIFE Systems • USLIFE Title Insurance Company of Dallas • USLIFE Title Insurance Company of New York

publicity-garnering attacks on executive perks by SEC zealot Stanley Sporkin, some huge companies that went public want to go private again.

Low price/earnings multiples for public companies remove a major reason for private companies going public. In 1972, at the height of the go-go period, a record 491 companies went public and eager buyers often didn't even know what a company made. In contrast, only 100 or so will cross the line this year. However, for every private company that goes public, any number of other private companies will take its place. Don't forget that while most big companies are public, 45% of all U.S. sales are generat privately owned businesses, accord Economic Information Systems, o the few firms that keep tabs on p business activities. Are we in an faceless corporate enterprise? Mayb nobody seems to have told the own the companies listed below.

The 50 largest private companies in the U.S.

The list below is based on data compiled by Economic Information Systems, supplemented by additional reporting and checking by FORBES. Omitted from the compilation are privately owned financial companies and all foreign-owned companies and cooperatives. In most cases the revenue figures given are estimates; most companies refused to divulge exact sales figures and many declined even to confirm our estimates.

Company	Location	Industry	1979 estimated revenues (millions)
Cargill	Minneapolis, Minn	Grain wholesaling	$12,711
Mocatta Metals	New York, NY	Bullion dealers	12,000
Continental Grain	New York, NY	Grain wholesaling	7,768
Bechtel Group	San Francisco, Calif	Engineering services	6,800*
Koch Industries	Wichita, Kan	Crude oil	3,800
Ingram	New Orleans, La	Petroleum marketing	3,500
United Parcel Service	New York, NY	Package delivery	3,359
Ken Davis Industries	Ft Worth, Tex	Multi-industry	2,000
Hughes Aircraft	Culver City, Calif	Aerospace products	2,000
Publix Super Markets†	Lakeland, Fla	Food retailing	1,933
Garnac Grain	New York, NY	Grain exporting	1,700
Louis Dreyfus	Stamford, Conn	Grain exporting	1,500+
The Austin Co	Cleveland, Ohio	Engineering services	1,500††
Mars	McLean, Va	Candy	1,400
Dubuque Packing	Dubuque, Iowa	Meat packing	1,400
Carlson Companies	Minneapolis, Minn	Trading stamps, hotels	1,400
City Title Insurance	New York, NY	Title insurance	1,372
Summa	Las Vegas, Nev	Hotels, casinos	1,343
Milliken & Co	New York, NY	Textiles	1,341
SI Newhouse Advance Publishing	Staten Island, NY	Publishing	1,200
SC Johnson & Sons	Racine, Wis	Polishes	1,200
Stephens	Little Rock, Ark	Department stores	1,196
Peabody Coal	St Louis, Mo	Coal	1,132
Tribune Co	Chicago, Ill	Communications	1,115
Peter Kiewit & Sons	Omaha, Neb	Heavy construction	1,034
Farr Man	New York, NY	Commodity trading	1,000
Reader's Digest Association	Pleasantville, NY	Periodicals	1,000
Belk Brothers	Charlotte, NC	Department stores	1,000**
Gates Rubber	Denver, Colo	Rubber products	962
Mobay Chemical	Pittsburgh, Penna	Chemicals	955
Scurlock Oil	Houston, Tex	Petroleum wholesaling	905
HE Butt Grocery	Corpus Christi, Tex	Groceries	900
Hallmark Cards	Kansas City, Mo	Greeting cards	850
Topco Associated	Skokie, Ill	Retail groceries	802
Guy F Atkinson	San Francisco, Calif	Engineering services	798
Peat, Marwick‡	New York, NY	Accounting	775‡‡
The Andersons	Maumee, Ohio	Agricultural commodities	774
Greenwich Mills	Secaucus, NJ	Coffee	759
Hunt Oil	Dallas, Tex	Oil/gas production/refining	745
Roseburg Lumber	Roseburg, Ore	Softwood, veneers	719
Coopers & Lybrand‡	New York, NY	Accounting	711
Spartan Stores	Grand Rapids, Mich	Grocery wholesaling	702
Meijer	Grand Rapids, Mich	Grocery stores	695
Hy-Vee Food Stores	Chariton, Iowa	Groceries	683
Arthur Young‡	New York, NY	Accounting	650
Arthur Andersen‡	Chicago, Ill	Accounting	645
Price Waterhouse‡	New York, NY	Accounting	635
Southwire	Carrollton, Ga	Electrical wire	632
American Securities	New York, NY	Securities	624
Amway	Ada, Mich.	Cleaning products	600+

*Revenue work off. †Employee-owned. ††*Engineering News-Record.* **_Chain Store Age_. ‡Partnership. ‡‡Estimate for June 30, 1980.

provided the loan that launched S&E Shipping Corporation's new ore carrier, the Kinsman Independent.

analyzes the composition of Dow Chemical's shareholders to keep their records up-to-date and accurate.

AmeriTrust. The Bank that

ent the money to
Farmland Industries
o reap bumper crops
hroughout the
nidwest.

rolled out a line of credit for export of truck axle components from Eaton Corporation to an affiliate in Venezuela.

helps Pickands Mather spotlight its cash position with daily computerized updates.

AmeriTrust®

Headquarters: Cleveland, Ohio

Making things happen in MidAmerica.

MOST OF AN
TIME IS SPEN
YET IT'S THE
LEAST QUAL

It starts the moment you walk through the door.
The phone rings. You pick it up and listen.
An associate comes into your office with a problem. And you listen.
You rush off to one meeting after another. And listen.
The fact is executives spend more time listening than they do anything

XECUTIVE'S
LISTENING.
HING HE'S
FIED TO DO.

But unfortunately, much of this time is wasted.
Research studies show that on the average we listen at a 25% level fficiency.
A statistic that is not only surprisingly low, but terribly costly.
When executives don't listen effectively, communication breaks down.
Ideas and information get distorted by as much as 80% as they travel ough the organization.
Yet as critical as listening is, it's the one skill we're never really ned to do.
Well, as one of the world's largest corporations, we at Sperry are making e our executives are as qualified at listening as they are at everything else.
We have special listening programs that Sperry employees worldwide attend. From Sperry Univac computer representatives to Sperry New lland agricultural engineers to the Chairman of the Board.
These programs are helping us take full advantage of all the time we nd listening.
As a result, when you talk to someone from Sperry, one thing's for tain: Neither of us will be wasting time.

SPERRY

We understand how important it is to listen.

Sperry is Sperry Univac computers, Sperry New Holland farm equipment, Sperry Vickers fluid power systems, and guidance and control equipment from Sperry division and Sperry Flight Systems.

How qualified a listener are you?
Sperry, Dept. 4E, 1290 Avenue of the Americas, New York, New York 10019 for a listening quiz that's both fun and a little surprising.

Why the oil & gas industry is turning to Ingersoll-Rand.

Bateman Lake is the kind of place that demands machines built better than they have to be.

The search for oil and gas is moving to more remote locations. This means an increasing need for machinery that can run day and night in the most severe environments.

For example, our compressor at Bateman Lake is visited by more alligators than people.

Sitting in the middle of a bayou in Louisiana, our rotary engine-driven compressor ran for more than two years before any major maintenance was required. Its assignment: to compress natural gas for pipeline transportation.

It's not an easy place to operate. In summer, it's like a steam bath. Winter brings fog and rain. Floods and insects arrive in the spring.

As a result, we have to make sure our machinery can pretty much take care of itself.

Ingersoll-Rand manufactures a wide variety of machinery to meet the world's expanding energy needs.

Our compressors are forcing oil up from the North Sea. Our pumps are moving sea water to repressurize oil fields in the Middle East. Our drills are finding more natural gas in the eastern United States.

Whatever the application, our manufacturing philosophy is the same. We build our products to weather the worst of conditions.

INGERSOLL-RAND

For a copy of our new annual report, write to Ingersoll-Rand Company, Dept. 114, Woodcliff Lake, NJ 07675.

d old Mobil Corp. has been acting like a hot $2 stock lately. Isn't out of character? Not if the company strikes pay dirt in Hibernia.

Mobil heats up again

The Streetwalker

ME DAYS IT LOOKS like all the peculative money in the world is till concentrated in the oil stocks. Mobil Corp., a giant company, equity is bouncing around like ot little stock. Mobil was 50 at rt of the year, pinwheeled up to e highest at which it has traded in years—and then sank below 60 Recently the stock was selling the low 70s.

e talking here about billions of . Mobil has 212 million shares out- g. When it moves nearly 40 as it has this year, $8.5 billion in value is involved. Early in the e stock market said Mobil Oil was worth about $10.6 billion. It rth $19 billion a few months lat- n back to $12 billion. It's nothing stock to gain or lose $1 million in trading day. There's a lot of mon- hing around there.

t's going on? If you don't know, ven't been reading the newspa- lobil Oil has announced signs of a ind in two wells drilled offshore in rand Banks, 165 nautical miles ast of Newfoundland. With oil at arrel, "major finds" have a certain

going to take a lot more drilling there are any definitive answers to ajor these finds will be. Mobil Oil a, Ltd. has sunk two appraisal wells under 3 miles north and west of the l Hibernia P-15 hole. The logs show arbons in both those wells, and has also reported finding "favorable ions" in Ben Nevis I-45, a wildcat that was spudded into a separate re some 24 miles to the east of ia P-15.

eologists like Ed Zederayko, who en poring over the bits and pieces lligence from his office at Gordon ties, Ltd. in Calgary, Alta., "the indications are very strong" that Hibernia's potential is well above the half-billion barrels or so needed to justify development. William Randol, an analyst for Salomon Brothers, argues flatly that signs all show reserves of "more than 1 billion barrels, maybe 2 billion and in no case less than 750 million. It's a North Sea type of field."

Let's assume Randol knows what he is talking about and let's take his most conservative figure. At $35 a barrel, 750 million barrels of oil would be worth, let's see, $26 billion. Mobil's share is 28%. Put that in your calculator! That's at least 200 million barrels for Mobil. Unproduced oil has recently sold for $13 and more a barrel, so you can see the potential amount of money involved in the Grand Banks for Mobil.

The prognosis is somewhat more restrained on the Ben Nevis hole, largely because there is even less information to go by. There are, however, a number of geological formations like it in the area, and bulls such as Ed Zederayko feel that Mobil may have "come on something unusual. Oil tends to appear in a few very large areas," says Zederayko, conjuring up the hope that offshore Newfoundland will soon rank with such major strikes as Hugoton, east Texas and Prudhoe Bay.

The most volatile way into the Hibernia play is Gulf Canada which, before its recent 5-for-1 split, had bucketed from a low of 39 to a high of 168 and then back on down to 133. Next to Mobil, Gulf Canada has the second-biggest participation in Hibernia P-15* (25% *vs.* 28%), and the third-largest participation (18.75% *vs.* 56%) in Ben Nevis. Thanks in part to its solid exploration and growth record, however, Gulf Canada is trading at a superhigh 26 times earnings, compared with only 6 times for its parent Gulf Oil, 6 times for Mobil and Standard Oil of California and 9 times for Columbia Gas.

Gulf Canada also has a strong position in such promising areas as the Beaufort Sea, but more than 20 times earnings is pretty rich for a stock that is currently selling for a 23% premium over its appraised value of $22 a share.

One of the surest signs that Gulf Canada has been trading at rather rich levels is the shrewd way in which the parent Gulf moved to capitalize on its 68% equity in the company. Pinched for capital to support the catch-up ball it is playing on its exploration program, Gulf raised a quick $220 million merely by selling 2 million of the 30 million pre-split shares of Gulf Canada it owns. (You never heard of an insider selling out at the *bottom*, did you?)

The parent Gulf Oil is selling at a deep discount below appraised net worth, and does have its partisans, even though most analysts think the best way to buy a call on the production potential of Grand Banks is through Mobil, with Standard Oil of California coming in as a close second choice.

"What you want," says Bruce Lazier, who follows the oils for Paine Webber Mitchell Hutchins, "is a solid company trading at a low multiple that will give you a real kicker in Hibernia with limited downside risk. I prefer Mobil." Even at its current price Mobil trades at about 6 times probable 1980 earnings; so you're getting the Hibernia play almost free. Lazier, like Salomon Brothers' Bill Randol, argues that Mobil's larger participation in the Newfoundland venture makes it a more interesting play than SoCal. "Mobil's 6.3 million acres," says Lazier, "almost blanket the whole concession."

In statistical profile, Mobil and SoCal

**The other partners in Hibernia P-15 are Chevron Standard, a SoCal affiliate, 16.4% and Columbia Gas, 5.5%. The Canadian government's Petro-Canada is a 25% partner in both Hibernia and Ben Nevis.*

show some remarkable resemblances. Both earn close to 20% on equity, both generate about the same cash flow ($14.58) a share. SoCal's earnings growth rate is a little better, but Mobil sells at a somewhat deeper discount from appraised value, and at the moment has a lot going for it.

The company has cash to burn, thanks both to the very high level of earnings in which the industry is awash and the $459 million gain it picked up in the first quarter on the sale of its interest in Belridge Oil to Shell. The purchase of General Crude Oil for almost $800 million last year added significantly to reserves. This purchase and the rising tide of production from the North Sea are two of the reasons why Paine Webber's Lazier thinks Mobil may earn as much as $12.25 a share this year, compared with $9.46 a share last year.

It would be years, of course, before Hibernia or Ben Nevis could add to Mobil's profits. Moreover, beyond the standard economic questions (how much oil is there and how much will it cost to get it out), there are a number of still unresolved political questions flaring up in Canada.

One of the X-factors involves a gled discussion of whether the Can federal government or the Provin Newfoundland has jurisdiction ove area. The Province contends it is tled to a 40% share in any leas grants, a cut that could make ha the big profits some analysts a blithely projecting. Some ifs in the tions are a lot clearer now than se weeks ago. Once-burned, twice-shy are being a little more cautious the ond time around. The reaction may vide an excellent opportunity for prudently venturesome.—*Richard Pha*

Earnings are down, diversification is muddled, the stock is way dou The giant of convenience stores has lost its way. Suddenly, there's . .

Trauma at Southland

By Tedd A. Cohen

When Southland Corp.'s stock began plummeting late last year from a high of 31⅛, it was clear to investors that something unpleasant was afoot. First came word of reshuffling of executives. Then the earnings report for the first quarter of 1980: down. Altogether the stock lost nearly 14 points before it recovered a bit recently. What all this reflects is that Southland, which got 89% of its $3.9 billion in sales last year from its almost 7,000 7-Eleven convenience stores, has been losing its formidable edge in its segment of retailing to direct competitors, to changing shopping patterns and to its own arrogance.

A year ago, a top merchandising executive of the Dallas-based company referred to Southland's 7-Eleven business as "damn near foolproof." But by that time, at least the insiders should have known they had been grappling with endemic problems and inadequate solutions for almost a decade. SRI International prepared a study for the National Association of Convenience Stores on the industry outlook for the 1980s. The study was hardly encouraging. It pointed out that inflation created a situation in which "real growth of sales per store, excluding gasoline, has been virtually nonexistent during the 1970s." Significantly, Southland began rapidly installing pumps and selling gasoline in 1972, presumably in response to the lack of real growth in the rest of the business.

If you look at the figures for the past few years, there does seem to be growth. Over the past five years aftertax earnings and revenues have more than doubled to $83 million, or $3.06 per share on sales of around $4 billion last year. But 17% of the 7-Eleven sales was gasoline, which more than quadrupled since 1975, while the staples—bread, dairy products, candy, soft drinks and beer and wine—have fallen as a percentage of total sales. Another sure thing—cigarettes, the item most regularly bought at convenience stores—fell from 15.6% of total sales to 12.9% last year. In other words, the bulk of the growth is coming from gasoline (just 30% of 7-Eleven stores sell it), the demand for which is already falling, and cigarettes will do scarcely better.

Worse yet, gasoline retailers have been moving into the convenience business either on their own (by installing shelves for bread and coolers for milk) or through the encouragement of such oil companies as Atlantic Richfield Co., which are looking for ways to keep their dealers profitable in the face of the declin consumer demand for gas.

Consumer buying patterns seem to have changed. Supermarkets in m parts of the country are staying o longer, sometimes 24 hours a day, se days a week, making it just as easy pull into the local Safeway or Wein ten's at midnight for a loaf of bread a is to stop at the 7-Eleven, Fairm Foods' U-tote-M or Circle K.

The late Jodie Thompson, whose fa ily still runs the company, foun Southland back in 1927. His sto which later acquired the tag "con nience," succeeded because they offe customers one clear-cut benefit: ti You knew you could pop in for a la minute buy of some staple without w ing through acres of other merchan or waiting for a clerk. You pay a relati ly high price for that convenience. example, in Houston a 14-ounce bottl Heinz catsup costs 95 cents at 7-Elev 58 cents at Weingarten's. But it v clearly something consumers want because Southland managed to buil 7,000-store chain and a multibillion-d lar business on the idea. And others— next biggest being Phoenix-based Cir K Corp.—have done a pretty good job copying the formula.

These days, knowing how to ring home your profits is just s important as knowing how o make them.

When you consider the high cost of dit nowadays, the need to repatriate h is obvious.

What's less obvious is how and when do it.

Every day, international business and planning gets a little more complex. Which is why we make such a point Deloitte Haskins & Sells of having ple with the *right* international experi-e work with our clients.

Some are stateside—our U.S. tax ple, who understand American multi-onals from working with many of m.

Equally useful are our tax people rseas. They know the local tax and siness practices as only someone ally-based does.

When these professionals work together on your behalf, the results can be impressive indeed.

It may be something as basic as selecting the best organizational structure to minimize taxes in a particular country.

Or maybe it's helping you take another look at your royalty arrangements. Or your use of foreign tax credits.

Or perhaps it's working with you to reduce the high tax cost of sending your people overseas.

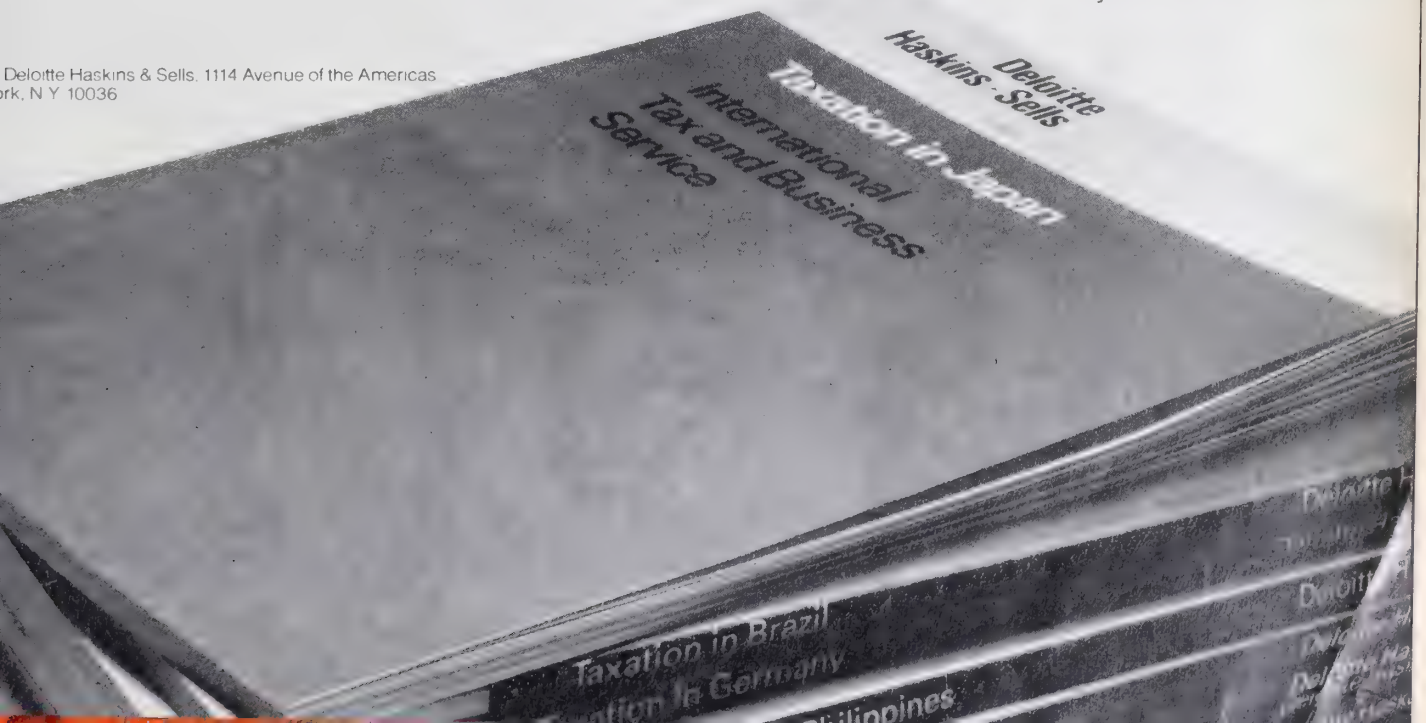
If you're involved with your company's international financial planning, help like this can be mighty useful.

The world may be getting smaller. But doing business around it isn't getting any easier.

Deloitte Haskins + Sells

Beyond the bottom line™

Deloitte Haskins & Sells, 1114 Avenue of the Americas
rk, N Y 10036



As the competition has built its own chains and the company's traditional markets have become saturated, Southland has tried to cash in on the fast-foods boom and the replacement auto-parts business, but with indifferent success.

Southland figured that with all those 7-Eleven stores around the country, it could move against McDonald's and Burger King. And, in a way, it has. You can go to a 7-Eleven for a sandwich, shipped frozen to the store where it is heated in a microwave oven. "That move," says a restaurant industry security analyst, "suggests to me that they've got troubles. I don't see what more convenience they have provided compared to at McDonald's. It shows they've do anything they can to increase ness." Southland isn't telling ho doing in fast food; its executives re to be interviewed by FORBES abou *thing*. Yet it is hard to imagine soggy microwaved sandwiches make serious inroads in a bus whose growth rate is slowing down

The auto-parts business looks n ter. A couple of years ago, Southlan $20 million for Chief Auto Parts, a store chain based in southern Calif Southland has already opened 52 in the Dallas-Ft. Worth area and mored to be taking the business na wide with several thousand stores Wall Street observers are dubious. W Schenker, Drexel Burnham Lam auto-parts analyst, notes that the ness "requires specialization and expertise. There's no knowledge req to run a 7-Eleven, where a loaf of bre a loaf of bread."

Trying to make it selling parts to yourself mechanics puts South smack against Sears and K mart plus of local auto-parts retailers, who know how to sell price, whereas S land's experience is selling conveni at high prices. Merrill Lynch's Ge Quint believes Southland will hav succeed in auto parts if it is to mai earnings growth at a 15% annual l Considering the competition, that c take a lot of doing for a novice.

Meanwhile, one close observer gests that Southland may now aba its oft-expressed goal of 10,000 7-El stores. It takes a lot of store turn before you get stores that will do en business to stay alive. Last year, fo stance, the company opened 666 ne Elevens and closed 460 in the U.S. Canada. Clearly, it will take a g churning of capital to get those 3 new ones, especially if they have t clude costly gasoline tanks and pump addition to shelves and refrigerators.

Bo Cheadle, an analyst with the H ton-based brokerage house of R Mosle, recently cut his 1980 earn estimate from $3.40 to $3.25, after ing Southland off his short-term buy and telling his clients to buy Circl instead. (Ironically, one of Rotan's presidents is a Southland director.) reason was Southland's implied diss faction with the results of the stores d sion after the company forced out a president. Brought in from Californi fix the sagging southeast and southw stores, he cut loose dozens of divisi zone and district managers, many them old-timers who were favorites the Thompson family. But, after nea two years, the figures were still not g enough, so he departed.

This much is clear: 7-Eleven isn foolproof business anymore. ■

At 30% of Southland's stores, customers can pump their own gas

Instead of the staples that built it, a push into gas, fast foods, auto parts.

America's #1 News Magazine
#1 in circulation
#1 in ad revenue
#1 in newsstand sales

TIME

The most colorful coverage of the week

© Time Inc. 1986. All Rights Reserved.

New diet for insurance executives!

Eating crow is not our favorite gastronomic experience.

But we've recently discovered that hearing you out, even on very unpleasant matters, can be healthy for both of us.

Last year, for example, Ætna sat down with the National People's Action coalition to digest complaints about the way property

insurance is sold — and *not* sold — in inner-city neighborhoods.

That dialogue produced results you should appreciate.[1] Just as other consumer contacts have encouraged changes like our Privacy Protection hotline. And the new, lower-cost Æconomaster life insurance.[2]

Our 91,000 discussions last year with often less-than-chummy consumers indicate, however, that there are still answers we haven't found.

A lot of you aren't happy about who pays what for auto insurance. So we're taking another look at how rates are figured by age, sex, and marital status.[3]

And absolutely *none* of you out there is happy about steadily-rising health care costs. Which is why we're taking a hard look at the entire health care system, including health policies themselves.[4]

The point is simple: *If we're going to offer the kind of insurance you need and want today, we have to listen — and not just to what we like to hear.*[5]

Ætna may not agree with your every gripe. If not, we'll tell you so. But we promise you'll get action, not words, when we do.

Ætna
vants insurance to be affordable.

lks with the NPA — a coalition of over 100 inner-ighborhood groups — led to e-fold test program now way in sections of Chicago, and, New York, and Phila-. We're encouraging agents o help us write more home-s insurance. In two of these we're offering a new "Home Policy" that makes inner-asurance affordable. And put up a $225,000 grant o reclaim rundown areas, d by a commitment of up to illion in higher-risk urban pment loans.

2 The hotline is just the most recent expression of our long-standing concern. If you want to know what information we have about you on file, just ask. If you tell us something's wrong, we'll reinvestigate and respond. As to Æconomaster, it not only offers lower premiums to start with, it can lower them even further when interest rates go up — a hedge against inflation.

3 Our studies so far show that about half of you think the traditional rating criteria are unfair. When told that new criteria could mean more money out of your pocket, however, only about a third still thought change was a good idea. In the real world, decisions often involve some tradeoff between costs and benefits. What we have here are two problems to solve at once.

4 Ætna recognizes we've helped fuel rising costs by selling health insurance that doesn't always give the consumer a reason to be concerned about them. Deductibles and co-insurance while effective aren't always popular. Unfortunately we too often give the customer what he wants without looking at the tradeoffs. We also haven't done enough to educate people to take better care of themselves or know when they're sick. Prevention is still cheaper than treatment.

5 It's now company policy to invite representatives from groups like the National Consumers' League up to Hartford. And Ætna now has 21 of its own consumer representatives who respond to your questions, suggestions, and complaints — somewhat unusual for an industry that's spent the last hundred years mostly listening to itself.

ife & Casualty,
mington Avenue,
rd, CT 06156

Ætna
LIFE & CASUALTY

Report from Number One Wall Street

"An individual with a $500,000 estate can save more than $70,000 in taxes if the estate is planned properly."

"Taxes on your estate could be dramatically reduced by combining the maximum marital deduction and a 'tax sheltered' trust for the balance of the estate." That's Janet E. Hunt talking, Senior Vice President, Personal Trust Division.

"This benefit is typical of what we can achieve by working with you, your attorney, accountant, and insurance agent to create a tightly knit, coordinated plan that meets your goals.

"Most of our trust officers have law degrees, which enable them to work effectively with your attorney. Should complicated tax problems arise, your trust account is brought immediately to the attention of our Fiduciary Tax Department with its special expertise in estate and trust tax law.

Janet E. Hunt, Senior VP, typifies the way Irving Trust works for trust customers: with personal concern and professional competence.

"And, at Irving Trust, because our trust officers are assigned a limited number of accounts, you are assured that all inquiries or requests receive prompt and personal attention."

For a review of your trust needs—and fresh ideas about how to preserve your wealth—call on the people who will make sure your estate gets its full money's worth. Janet E. Hunt can be reached at 212/487-2350. Irving Trust Company, One Wall Street, New York, N.Y. 10015.

Irving Trust
Unique. Worldwide.

Member FDIC

coming steel shortage keeps coming, and ou believe it will one day arrive, you bably can't buy in much cheaper.

How to play the steelyard blues

The Streetwalker

OU WOULD HAVE THOUGHT that by now nobody in his right mind would be telling you to buy steel . As an industry, after all, steel has e nothing short of disastrous, with teel permanently closing 15 mills ll for an $800 million pretax loss, mports taking 15% of a U.S. mar- here cars are getting smaller and ewer. The list of ills runs on and ming finally to the fact that Repub- el is selling at a 76% discount from value. So, along comes a contrarian, Webber's steel analyst Peter Mar- tell us this is the time to buy. And Because, says Marcus, steel stocks ling at less than 1 to 2 times—are eady for this?—potential recovery gs.

at Marcus sees ahead that makes o sanguine is an imminent world shortage that could mean "explo- earnings for domestic steelmakers ly as next year. That world steel ge, Marcus says, will come if the world's economy continues to expand at the rate of 3% a year. But if the economy keeps faltering, Marcus holds, then the scrapping of inefficient mills will finally bring capacity down to the point that would make "a steel shortage by the mid-1980s even more inevitable."

For that reason, Marcus believes U.S. steel industry profits will soar. But *(see table below)* they won't start up until after this year.

There are, needless to say, scoffers. Chief among them may be David Healy of Drexel Burnham Lambert, who, like Marcus, is an astute analyst of the industry. "According to the analysts, the steel shortage has always been about two or three years away," he laughs. "It never comes. When the forecasts were made in 1977, the steel shortage was supposed to happen now." But, more to the point, Healy insists, even if that mythical shortage occurs, it won't make America's sick steel industry well unless the shortage is a prolonged one. He notes that there was a small nine-month shortage back in 1974, "but it didn't turn out to be fundamental at all." It will take a lot more than a nine-month shortage this time to make a significant difference, he says.

Other industry observers seem to be holding with Healy. In December, Standard & Poor's Industry Survey had this to say to investors about the industry's prospects: "Sale of many of these issues would seem rather late at this juncture." They were talking about plummeting prices and huge discounts from book value back then.

First Boston's Peter Anker feels the stocks have already hit bottom, but could possibly go a little lower. He has trepidation over timing. "National Steel's steel operations did very badly in the first quarter. We have some really dismal quarters ahead."

Of course, if you wanted to go with Marcus' view, you could argue that it can be just as risky to wait for the ultimate low, because you then might never get in on the ground floor of the steel shortage that is hovering somewhere out there like the Flying Dutchman.

Marcus figures there will be enough inflation in the economy to keep revenues and asset values growing as well as to discourage much new construction of mills. And that, he feels, is certain to keep competition down in the long run and, therefore, to boost prices and earnings. Moreover, as long as the dollar remains weak, U.S. costs and prices will remain relatively low compared with foreign mills.

It all has a little of the sound of those investors who "believed" in railroads while that industry's leaders and regulators were taking it to the scrap heap. But Marcus does make a plausible case. So maybe it's time for a raid on U.S. Steel. After all, it is selling at 67% discount from book value, so it could be a helluva bargain for believers.—*Alyssa A. Lappen*

American steel under 1 times earnings

If you believe that the much-heralded steel shortage is on its way, this table gives you a pretty good idea of the kind of meteoric ride you could get from steel stocks. After all, two of the stocks are selling at less than 1 times those superearnings a shortage would bring. And if you don't believe, then you can read these figures as a timetable for future disaster.

any	1979 sales (millions)	Recent price	EPS 1979	EPS 1980E*	P/E based on 1980 estimate	Estimated EPS in a shortage year[4]*	Hypothetical P/E (stock price to shortage-year EPS)	Price range 10-year high-low	Book value	Discount from book value
teel	$12,929	18⅝	($4.46)[1]	$2.50	7.5	$14.50	1.3	59⅜-16⅝	$56.42	67%
	7,997	9⅞	3.62[3]	2.25	4.4	11.00	0.9	29⅛– 5⅛	17.90	45
lehem	7,138	21⅛	6.31	4.00	5.3	17.00	1.2	48 –18¼	58.87	64
co	5,035	27¼	4.82	4.90	5.6	11.25	2.4	27½–10⅛	35.65	24
onal Steel	4,234	25⅜	6.56	5.00	5.1	22.00	1.2	52¼-25¾	74.35	66
ublic Steel	3,987	21⅞	7.49	4.00	5.5	22.00	1.0	40⅜–17¾	92.02	76
d Steel	3,635	30½	6.27	5.50	5.5	17.00	1.8	58⅝–22¾	62.23	51

re special item of $1.05. [2] Earnings per share on fully diluted basis. [3] Continuing operations. [4] 1982-1983 estimates in steel shortages are in terms of dollars. *Estimated figures supplied by Peter Marcus, Paine Webber

How First Boston completed the largest leveraged buy-out ever done.

Early this year, Fibic Corporation, a company formed by The First Boston Corporation, purchased all of the assets of Congoleum Corporation, a major, publicly owned, diversified industrial company. The proceeds were distributed to the public stockholders of Congoleum.

The transaction was remarkable not only for its size—approximately $450 million—but also for its innovation. The capital for the purchase was raised through a financing involving only 13 institutional and commercial bank participants. First Boston encouraged investment by committing its own capital to the equity portion of the financing.

The marshaling of expertise in diverse areas was the key to the success of this creative financing. It is characteristic of First Boston. We are involved in every phase of investment banking, every day. Abilities interact. Communication among disciplines leads to insight. Innovation follows.

Our willingness to assume risk is also important. With a strong permanent equity capital position, First Boston executes insights. We make knowledge work. We can put it to work for you.

Start First Boston thinking about your investment banking needs. Call on professionals like these five people in our headquarters in New York: (from left) Tony Grassi, Sophie Bell, and Tom Cassidy, all of Corporate Finance; Art Nagle, Direct Placements; and Ted Stolberg, Mergers and Acquisitions. Phone: (212) 825-2000.

First Boston
Thinking capital

By modifying a standard AT&T product to customer specifications, General DataComm can sell it for less. Simple. And effective. So far.

Who's afraid of Ma Bell?

The Up-And-Comers

When Chuck Johnson joined the Navy in 1945, he was sent to school to learn to be an electronics technician. "I took the aptitude test," says he, "because I didn't like the idea of living in trenches." But when he went aboard the U.S.S. Hector stationed in the South Pacific, he didn't use his training. "They wanted somebody to be the barber," he says. "I found out you could make 25 cents a haircut in tips, so I volunteered. I could do four haircuts an hour. I immediately doubled my salary."

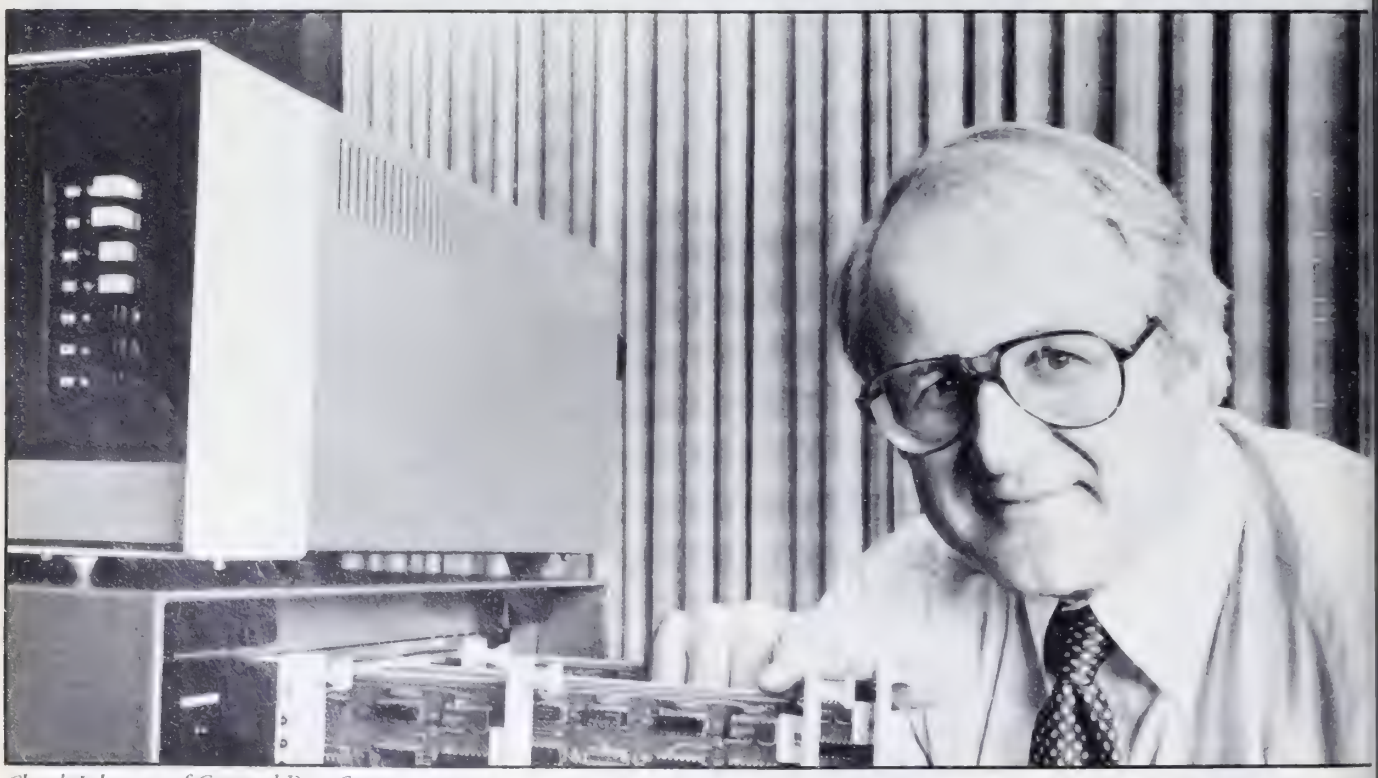
That's the way life is for Chuck Johnson. Eye always on the main chance. Never takes a course he won't change if something better comes along.

Today at 53 Charles P. Johnson is chairman and president of General DataComm Industries, Inc. of Danbury, Conn., a company he founded in 1968 when he was just 41. GDC makes and sells the hardware that turns the information spewing out of computers into information that can be transmitted over telephone lines. His modems convert digital data—yes/no impulses—into tones. His multiplexers increase the amount of data that can be communicated over one line. Why doesn't IBM or AT&T make this equipment? The answer is, they do. But so far, according to Johnson, they have overdesigned the hardware to meet the most demanding needs of *all* their customers. That means, he says, GDC can offer adequate ucts at lower prices to customers needs are less rigorous. DataCom short, has found a market niche.

Last year the company had sa $41.4 million and earnings of $3.2 lion, or 93 cents per share. That' turn of over 30% on stockholders ty. Nor was last year a fluke. The pany's sales and earnings have growing 30% a year since 1974. F on equity has improved steadily has been high—over 50% of tota ital—but a stock offering in trimmed that to 44%. The stoc down recently from the $17.50 o price, but at $14, or 13 times ear it's still relatively pricey.

"Just about what I expected," Johnson of the company's perform Hasn't he been steadily trading u since the Navy in preparation for t

When the war ended and Jo went home to Chicago there were a things he didn't know about life, learned fast. He used the GI Bill to college. "I'd learned the differen tween an officer and an enlisted says Johnson. "So I was willing to fice four years to improve my lifes He got a job with the telephone com and started going to school night planned to become a math teacher school adviser told him about a co tive program between the phone pany and Northwestern Unive "You went to school for three m then worked three months at the company. The adviser said the company had more top-paying jobs



Chuck Johnson of General DataComm

"Shell knew our product was good. Their only question was about our company."

C&SOE stock presentation makes AEP merger official

By TED ENGLISH
Citizen Journal Business Editor

The stock market was sagging Friday afternoon. But you couldn't tell by looking at Ben Ray, chairman of Columbus & Southern Ohio Electric Co., or from the expression on the face of Willis S. White Jr., chairman of American Electric Power Co. Inc.

Both men were wearing big smiles as they faced reporters, photographers and television cameras for the official presentation of C&SOE stock certificates representing 14,515,000 shares.

The presentation at C&SOE headquarters at 215 N. Front St. made official the merger of C&SOE into AEP. With the action, the Columbus company became AEP's eighth electric utility subsidiary.

"This marks the end of 12 years of work to bring these two companies together," said Ray.

"This is a very significant moment for both of us," added White. "It is a symbolic thing. And C&SOE now becomes a part of the AEP family, joining the system in a seven-state area."

He said officers of both firms felt the merger "would be good for Columbus and Ohio, area customers and good for both AEP and C&SOE." He also said he was looking forward to working with Ray.

Asked about the $1.5 million in customer savings promised when AEP first proposed its acquisition of C&SOE back in 1968, he said:

"In this day and age, with the rapid increase in costs, a $1.5 million reduction is not very meaningful." (C&SOE has 460,000 customers.)

He said that while the envisioned economies of operation "are still there," he feels savings to customers will result because C&SOE will need smaller rate increases than if it stood alone.

White said AEP is studying sites for its headquarters and is working on its design with architects. He said he hopes to have a report before the end of the year. He said he wants a building which will "be a credit to AEP and the community."

He said the 450 jobs being transferred to Columbus this year are being phased in over June, July and August. Another "250 or so jobs" will move to Columbus next year, he said, and with 250 more to follow the year after.

Both men agreed it was too early to discuss opening some C&SOE coal mines which have been closed. But Ray added there "are no plans whatsoever to open the deep coal mines."

There has been no discussion of a reorganization of officers of C&SOE, they said. White added there would be no changes in C&SOE operating procedures.

Both men also thanked "the hundreds of people who have worked over the years to pull this together." Special thanks went to two attorneys, Richard Dickey for AEP and William Porter for C&SOE.

Columbus, Ohio Citizen-Journal
May 10, 1980

We're American Electric Power. We're also Appalachian Power, Indiana & Michigan Electric, Kentucky Power, Kingsport Power, Michigan Power, Ohio Power, Wheeling Electric...and now, Columbus and Southern Ohio Electric.

American Electric Power

AEP

any other company in the world," Johnson recalls. "Not only that—he said, 'My brother is in charge of personnel at the company. I'll tell him about you.' "

Johnson learned fairly quickly that a helping hand never hurts. Johnson's grandmother had a dressmaking shop that catered to well-off Chicagoans. The president of the university was one of her customers, so she mentioned to him that her grandson was applying. Johnson thinks this helped him get in.

Working at the phone company during the day, he studied business at night. While he studied electrical engineering during the day he worked at a variety of odd jobs at night, among them selling shoes and hats. He liked selling.

When he finished school he joined Illinois Bell full time as a transmission engineer. It wasn't long before he began trying to make improvements in the system—major technical improvements that would have cost lots of money. When Bell proved reluctant to change, Johnson quit. He now admits that what he quit over was pretty silly.

He looked for a sales job and found it with Kellogg Switchboard, a subsidiary of ITT, as sales manager for government programs. "That's where I learned how to get things done," says Johnson. He learned it, he says, from his boss, Thomas Leddy, and from Kellogg's then-president, George Scharffenberger, now chief executive of City Investing.

Johnson had quite a challenging assignment. A new computerized defense communication system called SAGE was being set up by the Air Force at various sites around the country. Special phone systems were required. Kellogg wanted to supply equipment to any independent phone company involved. But, according to Johnson, in every case where an independent served the territory, AT&T had convinced it to sign away its franchise as far as the program was concerned.

"I had no customers and nothing to sell," says Johnson. "I didn't even know where the sites were. When I located one, I found the local phone company had signed away its franchise."

Before four years were up, however, he had persuaded the independents to get back their rights and had sold them some $50 million worth of equipment—all of which Kellogg had to buy from Ma Bell. That's what you call salesmanship!

Then, says Johnson, Scharffenberger left to join Litton Industries, and the style of the company changed. "I could see that I wasn't going to become president within any reasonable period so I left." Always the main chance.

He joined a small company called Adler Electronics in New Rochelle, N.Y., becoming general manager of that company's military division, and doubled sales for a couple of years running. But Ben Adler decided to sell out to Litton Industries and Johnson found himself working once again for Scharffenberger.

That lasted about three years. Then Scharffenberger moved on and Johnson decided he'd have to do the same. His next job was with an outfit called Stelma, a data communications company that he had hopes of taking over. But once again an acquirer came along and the owner sold out. Johnson didn't waste time bemoaning his fate. "The agreement to sell Stelma was announced on Dec. 12, 1968. General DataComm was born on Dec. 13," he says briskly.

The new company wouldn't have been possible, of course, except for one thing: Earlier that year the Carterfone decision had been handed down in Washington, opening the door to competition with AT&T. Johnson, of course, knew all about tussling with Ma Bell. He was very much aware of just what niches the Carterfone decision would open up.

He incorporated immediately—as C.P. Johnson Associates—hired a few people he knew as consultants, and leased 25,000 feet of office space. He didn't need all that space but he did need the credibility it gave him. He was short of cash and paying for everything out of his pocket.

"You get started and then you need more cash. If you're successful too soon, people may not have confidence and you can't get cash."

In just a little over a month he had put together a business plan with short-, medium- and long-range sections; raised $1.5 million from the likes of Loeb Rhoades, Lehman Bros., C.I.T. Finance and Charter N.Y. Bank; and incorporated as GDC. The Carterfone decision had opened the door. Johnson, a consummate salesman who knew the telephone business from the ground up and who thoroughly understood the newest technology, simply walked through it. Almost at once he landed a big order for multiplexers from Shell Oil Co. The Shell order convinced smaller outfits to take a chance on GDC.

Johnson goes to his bookshelf in his rather severe brown-and-white office and pulls out his business proposal, now ten years old. He thumbs through it, stopping occasionally to show a visitor a pertinent page. "Everything has happened just as we planned," he says.

He comes upon a list of competitors and his 1968 assessment of them. Some are out of business, some have merged with larger companies. A few weak ones have gotten stronger. "Five or ten companies started up right about the same time we did," he says, "but since then there have been very few startups."

Right now GDC is the fourth-l data-transmission equipment co in terms of dollar sales, but sec number of units shipped, he says. concerned, however, that the oil c nies will come in as competitors.

Still, the way he calculates it, th ket is big enough for more tha company. There are some 450 m telephones in the world. Every y million more are added. Meanwhil 2 million data sets—the generic te the hardware he sells—have bee stalled. Johnson believes the da come when every telephone will one, as more and more homes and nesses make use of computers.

The trouble with a big market is can create financing problems for a company. True, Johnson admits. get started and then if you're succ you need more cash. If you're succ too soon, people may not have dence and you can't get cash."

Cash is a continuing concern company has had to carry a lot o and to float several stock issues to its needs. It sold stock most recen March when the banks' 1.5% abo 18% prime rate became a killer.

Johnson is sure he can handle a 3 year growth rate. That was the tar picked ten years ago, he claims. " grow faster than that, you have tr not only financing your growth bu managing it. You just can't develop agement fast enough."

A key element in Johnson's strat standardization. GDC's products modular in design, with interchang parts, so that they can be readily ta to a customer's specific needs, u AT&T products. Johnson points pride to his research spending, now ning at nearly 8% of sales, and t manufacturing efficiencies. "The w in this business will be the one wit manufacturing costs," he says.

Johnson does not have to poin that it might prove counterprodu for AT&T to run small companies his out of business. The Justice De ment, FTC and FCC might not like Anyway, his best customers are Bell's competitors—like GTE (16 sales) and Bell of Canada (12%).

"My goal is to make General Comm a really big company," he As he plans to retire in nine years a 62, that doesn't leave him much But as far as Johnson is concerne erything is going right accordin schedule. He even has time to go ing on Long Island Sound with his young wife, when he isn't overse the construction of his new hom Southport, Conn. About that house might know Chuck Johnson wou just hire someone to do the job for "I'm the general contractor," he proudly.—*Jean A. Briggs*

The Gold Coins of Mexico

so "Centenario"
Fineweight:
2057 troy ozs.

20 Peso "Azteca"
Fineweight:
4823 troy ozs.

Once you know the story behind them, you'll know why so many Americans are purchasing them.

The Gold Coins of Mexico are official restrikes of the government of Mexico, minted by the Casa de Moneda de Mexico, the oldest mint in the western hemisphere, established in 1535. Exclusively minted for the Mexican Federal Reserve Bank, Banco de Mexico, The Gold Coins of Mexico have enjoyed a fine reputation throughout the world for many years.

Now, Americans who have made the decision to purchase gold coins have the opportunity to acquire The Gold Coins of Mexico in the United States at the following banks: Citibank, Swiss Bank Corporation and Republic National Bank of New York.

The Gold Coins of Mexico not only provide the convenience, portability and liquidity of owning gold in coin form, but they also offer more alternative choices for purchasers. Mexico's 50 peso gold piece, more commonly known as the "Centenario," is the heaviest of all high circulation gold bullion coins in the world—containing a high gold content of 1.2057 troy ounces. The "Azteca," Mexico's 20 peso gold piece, features a .4823 troy ounce gold content for purchase on a small scale. A variety of Mexican gold coins of smaller denominations are also available.

ACTUAL SIZE

Many people consider the value and purchasing power of gold as an alternative hedge against inflation. Of course, the decision to own gold is a highly personal one in which risks and advantages should be carefully considered in light of one's specific financial and investment goals. Since gold is a commodity, its value is subject to continual market fluctuations.

Over the years, The Gold Coins of Mexico have become among the most popular gold bullion coins in the world. Due to the careful craftsmanship of Casa de Moneda de Mexico and the wide distribution of these coins, you can usually avoid the cost and delay of determining their authenticity upon resale. As with all gold coins, your purchase price includes a premium above the then current market price of gold bullion to cover minting and distribution. Furthermore, purchases may be subject to state and local taxes.

Call any of the following toll-free numbers for up-to-the-minute prices. For additional literature, write: The Gold Coins of Mexico Information Center, Grand Central Station, PO Box 1812, New York, N.Y. 10017

THE GOLD COINS OF MEXICO℠

The Gold Coins of Mexico are exclusively supplied to:

bank, N.A. 800-223-1080 — ate call collect: 212-559-6041
Swiss Bank Corporation 800-221-9406 — N.Y. State call collect: 212-938-3929
Republic National Bank of New York 800-223-0840 — N.Y. State call collect: 212-930-6338

The Gold Coins of Mexico are also available at coin dealers plus selected banks throughout the country.

The Gold Coins of Mexico is a Service Mark of Banco de Mexico, Mexico City.

MULTIPLY THIS SERVING BY 60,000,000

YOU'LL GET A SMALL TASTE OF WHAT AMFAC IS ALL ABOUT.

Toss in a side order of 2,508,000 french fries, 52,774,000 pounds of seafood and 49,704,000 pounds of cheese and you still have just our Food Group. Small potatoes considering there are even more divisions to this $1.7 billion "Forbes 500" company. In 33 states, our Distribution Group supplies prescription drugs, electrical or plumbing supplies. Our Hotels & Resorts Group operates 23 hotels and resorts in nine states. Ten Liberty House department stores in California, one in Reno and 34 outlets in Hawaii contribute to the rapid growth of our Retail Group. Sugar sweetens our earnings. And 5,763,351 nursery plants sold by our Agriculture Group helped us break all sales records in 1979. We're a growing concern, concerned about growing. For more information and our annual report, write Grafton Jhung, Amfac Inc., Western Regional Office; P.O. Box 7813, San Francisco, Calif. 94120

Amfac

Bringing you life's little things, in a big way.

Faces
ehind The Figures

Edited by Robert J. Flaherty

t's going bloody well"

ding to Nobel prizewinning econo-
riedrich A. Hayek (FORBES, *Oct. 1,*
a painful end to the current world-
nflation is now imminent. "[We]
ly have indeed reached the point,"
recently wrote to the London
"where even a further increase of
on cannot prevent the depression
we have made inevitable by past
on. . . . [The] only thing we can do

llor of the Exchequer Howe
line involves discomfort.

it is to get it over with as fast as
le."
ain's Chancellor of the Exchequer
offrey Howe is taking Hayek's ser-
eriously. Britain is having its de-
on right now. Money supply
has been slowed from over 11%
er 7%. Unemployment is 1.5 mil-
% of the labor force—a figure un-
of in the Brave New Socialist
of post-1946 Britain. The jobless
may hit at least 2 million—8%—
it turns down.

policy is a deliberate effort to
e inflation out of the economy,
Margaret Thatcher's Conservative
ment isn't letting up at the first
of pain. Britain's minimum lend-
e remains at 17%, the pound has
d to $2.37 from just $2.07 a year
ven supposedly conservative busi-
en are screaming for mercy. But, Howe assured FORBES, "I'm not in the least apologetic. It's [the tough monetaristic policy] going bloody well, actually."

Howe is lucky, of course. Unlike Brazil or Poland or any of the other debt-ridden nations clamoring for cheap, continually inflating money *(see story, p. 91)*, Britain has all that North Sea oil. Last year the British Treasury collected around $5 billion in oil tax revenues; the figure could well exceed (in constant 1980 dollars) $20 billion by 1983. So Howe can keep squeezing the economy knowing that a big inheritance is on the way should things not work out as planned. Brazil's Planning Minister Delfim Netto doesn't have that option. Where Brazil must continue borrowing to stay solvent, Britain can now think of repaying some of her foreign debt. In fact, said Howe:

"Well, if we are borrowing £8.5 billion and have accumulated £50 billion borrowing totally in the last five years . . . surely it looks pretty odd to go on borrowing on that scale [while] we have that [oil] money coming in . . . so my instinct is to curtail borrowing." What oil money is left will go mostly to reduce Britain's still-high tax rates.

What of Britain's businessmen, who, like Third World politicians, are demanding cheap credit? Howe:

"I recognize the legitimacy of their anxiety. [But] there is no way in which you can recapture a framework of discipline that doesn't involve discomfort, and the private sector cannot be spared from that discomfort."

It's easier to talk that way when you know that people are standing in line to pay $30 a barrel for your oil. Brazil and the developing countries don't have that luxury but they have the same necessity to cut growth.—*Laurence Minard*

"Privatization"

Most reviewers of Margaret Thatcher's first year as Britain's Prime Minister missed a big question: Whatever happened to denationalization? British taxpayers own an estimated $5 billion worth of assets that Tories had pledged would return to private hands. But after raising around $2.2 billion, $640 million of it from selling some government-held British Petroleum stock, the policy has slowed right down. Plans for 1980-81 foresee sales raising $1 billion.

Now Industry Minister Sir Keith Joseph has appointed Manufacturers Hanover's David Young full-time adviser for what the government self-consciously calls "privatization."

Young, 48, set up Manny Hanny's U.K. real estate division in 1973. He is now the division's chairman—a job he will keep thanks to the relaxed British view of interest conflicts. Young will have some dogs on his hands that nobody is likely to want, like British Steel and British Leyland, for example. But there are some gems: British Aerospace, British National Oil Corp., among them. Even the dogs are not entirely hopeless. Young points out that British Rail owns valuable real estate.

Trained as an attorney, Young honed his private-enterprise sense working five years as business assistant with legendary British entrepreneur Sir Isaac Wolfson. "Started work every morning at 7:15," he recalls. "That was *my* business school." Of his latest job, he says: "I don't get paid, so I must believe in what I'm doing."—*Barbara Ellis*

Adviser David Young
But who will buy British Steel?

Building on sand—and snow

Gilbert Trigano, who looks enough like the classic postwar intellectual to play Jean-Paul Sartre for the movies, started out as a communist, then turned the collectivist ideal into a sybaritic vacation game of banana trees, bikinis and beadmoney called Club Méditerranée, S.A. Club Med is now France's 120th-largest company with 1979 revenues of $465 million and 83 sun-drenched pleasure spots from Morocco to Brazil.

But what might politely be called a dimple has developed in the parabola of Club Med's growth curve. The price/earnings ratio of its stock, one of the hottest growth issues on the Paris Bourse for years, has slipped from 20 to 12. Why? The earnings gain last year was only 16%, *vs.* 18% the year before, which investors apparently took as a telltale

Faces
Behind The Figures

sign of age. Nonsense, says Trigano.

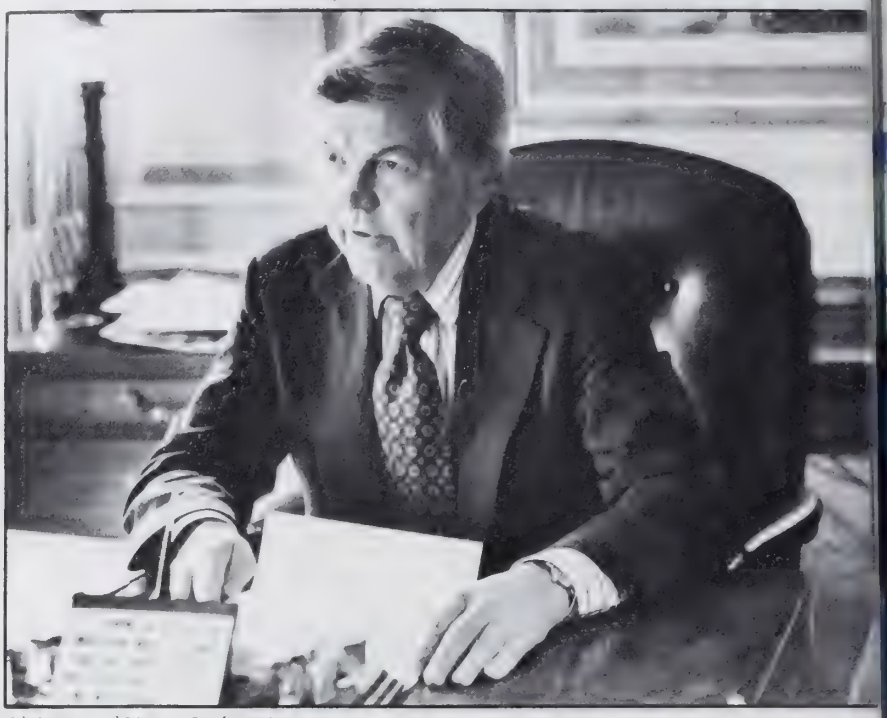
For the last few years Club Med has been expanding outside its Mediterranean home territory at a prodigious rate, opening ten clubs since December 1978 as far from France's pebbly shores as New Caledonia and Malaysia. With the addition of four new clubs—Haiti; the Dominican Republic; Ixtapa, Mexico; Copper Mountain, Colo.—Trigano expects to increase capacity in the rich North American market 42% by the end of 1980. All this costs money and slows earnings gains.

To do it, the youthful-looking 60-year-old chief executive once again demonstrated how artful a capitalist he has become. To bankroll the Haiti club scheduled to open this month he floated an $8 million 8½% bond issue through Crédit Lyonnais with some innovative sweeteners. Annually, for every vacationer over an average 65% capacity, Club Med will contribute $6 to a special bondholders' kitty. Over 70% capacity, the increment goes to $7 per vacationer. Over 80%—the normal occupancy rate for Club Med's North American clubs—the fund gets $8. For every 1% rise in the price of a Caribbean vacation, the kitty gets 28 cents. The money will be split each year among the bondholders.

To build its $11 million Punta Cana club in the Dominican Republic, Club Med borrowed $7 million from Atlantic Richfield, Colgate-Palmolive and Texaco. Copper Mountain, Colo. sold $8.5 million in industrial revenue bonds for a Club Med ski resort. Says Trigano: "This is the way of the good student. First to learn, then to innovate."—*James O'Hanlon*

Club Med's Gilbert Trigano
A dimple, you might call i growth curve.

Waiting for bargains



O'Green of Litton Industries
Bringing high-tech down to earth got Wall Street interested again.

Nowadays even the heating and air-conditioning shut off automatically at 5:30 p.m. in the pseudo-antebellum headquarters of Litton Industries in Beverly Hills, Calif. Wasting money is not the forte of Litton President and Chief Operating Officer Fred W. O'Green, 59, the Mason City, Iowa mailman's son who has held sway there since late 1972.

O'Green looks tired but satisfie days. Recently he announced rec erating earnings of $197 million, c per share, for the first nine mo fiscal 1980—well above the $4.87 of last year. Litton now seems a ci a second straight year of powerfu ings gains and, after a 15-year la once again the darling of Wall S Chairman Charles B. Thornton and ner Roy L. Ash had put togethe most glamorous conglomerate of th ly Sixties—if Litton didn't inven term "synergy," it should have—b the Seventies everything seemed going wrong in its business mach materials handling and shipbuilding sions. Litton's net slipped to only million on 1972 sales of $2.6 billio stock dropped from near 90 in the Sixties to less than 3 by 1973.

An electrical engineer, O'Gree rived on the scene as an untried executive culled from the ranks o ton's numerous vice presidents. B was a man who understood the eso of high-tech and took a down-to- view of running the business. Tha abled him to take a concept and sha into reality. "We've been in a peri restructuring," says O'Green. "But t finished now and we'll be moving a aggressively."

Does that mean he's prepared to spending the more than $700 millio cash he has accumulated? "I'd wa 35% return on investment first," Fred O'Green bluntly, which is ar lique way of saying that, while he sadist, he would not mind seeing a s recession and stock market retrea that he could get the kind of return

Transway's Going Places!

Marine Transportation

In Trailer Manufacturing

Freight Forwarding

In Liquefied Petroleum Gas

Transway has made a commitment to innovation and leadership in each of these areas of transportation and distribution.

That's A Sound Concept To Invest In

Please write for our 1979 Annual Report. Learn about our investment in the future and how it has helped us become a corporation with $884 million in revenue and $332 million in total assets.

TRANSWAY

Transway International Corporation
747 Third Avenue
New York, New York 10017

Faces
Behind The Figures

looking for. A man who likes to turn down the thermostat is not going to pay a penny more than he has to for acquisitions.—*Michael Kolbenschlag*

Tell it to Afghanistan!

"Why did they cut off the oats for the horse that's running the fastest?" complains Allan Aves, mixing his metaphors a bit. He's talking about soybeans, now the nation's number one crop (it passed corn last year in acreage harvested) as well as its number one agricultural ex-

American Soybean Association's Allan Aves
Why give away the fast track?

port. Aves, president of the American Soybean Association, isn't happy about the U.S. embargo on grain to the Soviet Union. It will wipe out more than $300 million worth of direct soybean exports, Aves estimates. By 1985, he says, the U.S.S.R. would have replaced Japan as the leading importer of American soybeans. Now, he complains, the embargo has given a clear track to competitors like Brazil and Argentina.

"We ought to be making the Russians more dependent on our food, not less," laments the 48-year-old Aves, a 6-foot-5-inch farmer from Kirkland, Ill. "By God, if they're really relying on us they'll be less likely to disrupt world politics." In his zeal to promote his own and his constituents' interests, however, Aves forgets that despite ample imports of U.S. soybeans last year, Soviets still roughed up Afghanistan and deployed their Cuban mercenari

Brophy of General Telephone & Electronics
It will be nice to look back on this after it's all over.

Skoal!

For Theodore F. Brophy, chairman of General Telephone & Electronics, 1980 is not going to be a vintage year. His first quarter was terrible: Earnings were 38 cents, *vs.* 97 cents the year before. Most of the drop came from liquidating GTE's European TV set manufacturing, a perennial loser. High interest rates hurt, too, on GTE's $652 million in short-term debt and $1.1 billion in construction loans.

Interest rates are coming down, and the rest of the year will be better but not good enough to save GTE from its first year-to-year earnings dip since 1975. Meanwhile Brophy is having problems with his basic telephone business—15 million phones, 9% of the U.S. total. Change is coming fast in the technology and the Federal Communications Commission is pushing for more competition in the long-sheltered industry. To make matters worse, the depreciation rules use 16 years on average for useful life for Brophy's equipment. "At that rate, with the embedded cost of inflation at 10% we are recovering less than 50% of our investment," he points out. While telephone revenues were up 13% in the first quarter, telephone operating earnings actually fell by 3%.

Brophy is currently arguing for about $300 million in rate relief before various rate commissions, but he's meeting resistance from consumerists who seem to think that telephone service, like air, should be free. Brophy has already had to cut his $2.5 billion capital budget by 10% for 1980. "What we're asking for would cost our average customer less than a six-pack of beer a montl points out. But that may be an ur nate comparison; how many polit are willing to tell their constitue drink less beer?—*Jerry Flint*

The power of PMA

You recognize him immediately snazzy bow tie, the slicked-back hair, the pencil moustache are unm able. And when you ask how he is, ance salesman extraordinaire W. ent Stone, 78, flashes a million-smile and booms: "I'm happy healthy! I'm terrific!"

Combined International Corp., formed holding company for S Chicago-based insurance empire, w ficially listed on the New York Exchange June 2. At 18 on the Big E or 5 times 1979 earnings of $3.38 a (on $662 million in revenues), makes Stone's own holdings—66 shares, or 2½% of outstanding—v $12 million. Did he ever dream, 58 ago when he was starting out as a pocket purveyor of 25-cent-a-week dent and health policies, that he w achieve such wealth? "I never do for a minute that I would be a success," says Stone. And lest an forget *how* he did it, there is Combi ticker symbol: PMA, for "Positive tal Attitude," its founder's own bra gung-ho self-motivation.

Combined's new holding com status means that it no longer need approval of the Illinois Director of I ance to acquire new businesses, whi seems likely to do in the financia

At Crane we believe in basics.

That's why we're big in cement. There are 380,000 cubic yards of concrete in the Wallace Dam, holding back 19,000 acres of water at Lake Oconee, Georgia. And all of it from Medusa, a Crane subsidiary.

You will find Medusa cement in dams, highways, buildings and airports all over the eastern part of the United States. It is the nation's tenth largest cement company.

Cement, one of America's basic products. And because Crane believes that making basic products for basic industries is the way to continued growth and strength, we're big in cement. And in steel. In building products. Aerospace and aircraft systems. Fluid and pollution equipment.

Basic products for basic industries—that's what Crane is all about.

Crane Co., 300 Park Avenue, New York, New York 10022

CRANE®

Faces
Behind The Figures

W. Clement Stone of Combined International
"All I want to do is change the world."

vices area. Its financial position is solid, mainly the result of a canny early reading of the economy in 1977 that prompted Combined to get into shorter-yielding instruments and avoid the bond market debacle.

Stone leaves much of the company's day-to-day management to his eldest son Clement in order to concentrate on bigger things. "All I want to do is change the world," he says. "Make it a better place for future generations." On a practical plane the big-time backer of ex-President Richard Nixon wants to work and spend for a Republican victory this November. Otherwise he's afraid the country will continue drifting toward the left, making it tough for future Clement Stones to have positive mental attitudes.—*Stanley Ginsberg*

First violin?

"Management is like playing the violin," J. Paul Austin, chairman and CEO of $5 billion Coca-Cola Co., is reported to have said once. "The strings have to be taut or there's no music." No one at Coca-Cola has had the strings pulled tauter than the six vice chairmen Austin appointed last November, pointedly leaving open the president's office vacated by the retirement of J. Lucian Smith in August.

Last month, in a move so abrupt it even surprised some directors, the company selected one of the six, Roberto C. Goizueta, as president and chief operating officer, scrapped the vice chairman title and named Goizueta's five former colleagues as executive vice presidents.

Goizueta, 48, has no direct soft-drink marketing experience but is widely regarded as a top-notch administrator. A Cuban-born, Yale-educated engineer, as vice chairman he ran the company's administrative, legal, technical and public affairs divisions. He previously had helped run its Caribbean operations. Goizueta was not the odds-on favorite for president, say sources on the board, but he was Austin's choice; and the appointment had the blessing of 90-year-old Robert W. Woodruff, Coke's patriarch and former chairman. "I'd have to think the appointment was pretty much a product of the thinking of both," says one director.

However, Austin and Woodruff may not yet have decided firmly on the line of succession. Among the five vice chairmen who metamorphosed into executive vice presidents, one was singled out: Donald R. Keough, a marketing and advertising man, who heads the company's operations in the Americas. Keough was named *senior* executive vice

Goizueta of Coca-Cola
A few more strings to be tighten

president. Austin may have a few strings to tighten before he retire February.—*Steven Flax*

Something for a something-rancher

A damn yankee in Texas, says E sell, "is one who comes down he stays, and I'm sure as hell staying full of quips like that, and why not he arrived in Texas in 1969—"tl Neil Armstrong set foot on the mc the former car-wash owner fro Crosse, Wis. has prospered at a var odd businesses, including manufac ambulances and putting garish and special paint jobs on cars, truc vans. Now he even has a ranch ir Rose, Tex. where he raises longhor tle. "That's the object down here, something-rancher," he says. know, like John Connally is an att rancher. I've got the rancher par working on the something."

He's working on acquiring In tional Harvester's Scout Sports/U Vehicle division, which the big truc farm-implement manufacturer is p off in the wake of its debilitating 17 strike. Russell has been putting the rative "lipstick" on Scouts for th three model years, and he was a c consultant on the 1981 model. He say what the price is, other than more money than I ever thought c what he and his associates plan with Scout if they get it. But he "It's a tremendous opportunity. vester brought in a fellow from Ge Motors who developed a five-year and Scout had actually regained a c of points in market share after l

BRINGING IMAGINATION TO THE BUSINESS OF ENERGY

When we built our first LP-gas pipeline in 1960, some people thought we were crazy.

Well, we've been crazy enough to grow handsomely in sales and revenues, profits and dividends, every year since that first pipeline was built.

Today, we're a uniquely balanced energy company. Our various divisions produce and market coal, LP-gas, oil, gas and liquid fertilizers. And yes, we continue to expand and operate our 6,600-mile network of pipelines.

In the next few years, we think it will take a certain kind of company to make it in the energy business.

It will take more than oil wells, coal mines, or even 6,600 miles of pipeline.

It will take imagination.

MAPCO

MAPCO INC. • 1800 S. BALTIMORE AVE. • TULSA, OK. 74119 • SYMBOL MDA/NYSE/MWSE/PSE

GE Ultrasonic Technology. It can picture your baby before it's born.

How far along is the pregnancy? What's the position of the baby in the womb? Any problems that could complicate the birth?

Today, doctors can actually see many of the answers to these questions–with a special example of General Electric technology called an ultrasonic imager.

The GE imager sends out sound waves that are reflected by things inside the expectant mother's body. Doctors can watch pictures created by these reflected waves on a TV screen. And from them learn many things that can help them deliver a healthy baby.

This GE imager can also examine patients for problems of the liver, gall bladder and kidneys. Under development is an even more advanced imager. It will actually show the motion of the valves in the heart—in remarkable detail.

Ultrasonics in the factory.

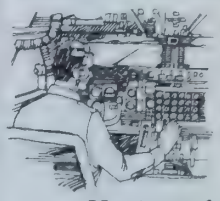
General Electric is also working with ultrasonic technology to check out air conditioners on its assembly lines.

The compressor is the heart of an air conditioner. So before a compressor is installed, the sounds it makes (many of them ultrasonic) can be fed into a computer.

The computer is able to compare these sounds with previously recorded ones. It can automatically reject compressors that don't "sound" right; even tell what's wrong with them.

Ultrasonics in the sky.

Measuring the amount of fuel in the tanks of a jet plane is quite a tricky job. For one thing, at sub-zero high altitudes, the fuel contracts. Closer to earth where it's warmer, the fuel expands.



Yet jet pilots must know exactly how much fuel they have and how fast they're using it.

In the jets of tomorrow, ultrasonic probes developed by GE will be able to measure fuel with outstanding accuracy.

GE ultrasonic technology. Making progress in flight, medicine, product quality. Progress of the most important kind: for people.

Progress for People

GENERAL ELECTRIC

Faces
ehind The Figures

' auto magnate-rancher Russell
an put the makeup on, why not build the car?

r ten years." How close is Ed to ng an auto magnate-rancher? He to ink the deal at the end of this but has yet to decide whether to e vehicles in the existing Scout Ft. Wayne or to have the oper- llow its new boss to the Sun-
m A Briggs

ortunities in America

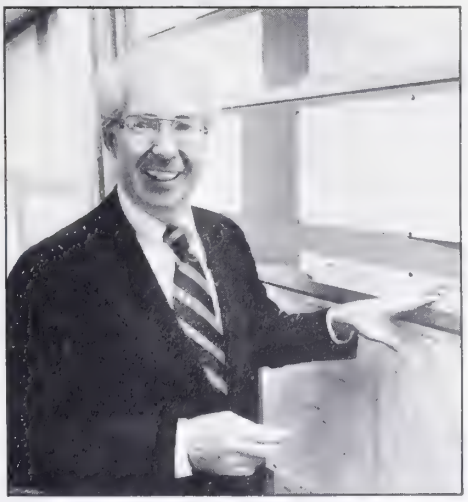
the abolition of Britain's ex- controls last November, London managers have largely shunned n stocks. Why invest in Amer- n you can buy gilt-edged securi- lding 15% in a petrocurrency, terling, that recently hit a five- h of $2.37—up 15% against the nce last June?

nis hostile climate walked Walter , 42, portfolio manager at Bos- ant ($9 billion under manage- idelity Group of mutual funds. In late last month, Downey pitched 00 British money men, telling hat the Dow Jones industrials ell double within the coming 18 . "We will see the beginning of ng really big in a few months,"

Downey's record, even the keptical of British money men . Since assuming responsibility ity International Fund N.V. near- years ago, Downey has boosted llish (net asset value, $19 million) internationally invested fund's value by 56%, *vs.* a 20% increase for Geneva-based Capital International's World Index and 12% for the S&P's 500.

Downey ticked off the reasons for his rampant optimism: falling interest rates; cash-laden institutions; inflation dropping below 9% by year-end; the chances of tax cuts and a Ronald Reagan presidency; residential real estate that is now fully valued against undervalued stocks; gasoline whose price is finally approaching world market levels. Downey quoted a recent survey showing that less than 30% of American investment managers consider themselves "bullish"—a sure signal to buy. Among Downey's favorite stocks: Eastman Kodak, Humana Corp. and Schering-Plough.

The audience was more polite than enthusiastic. A confirmed contrarian, Downey can now tell reluctant investors back home in the States he has a new bullish signal.—*Maurice Barnfather*



Downey of Fidelity Group
Is this the start of something big?

He-e-e-re's Wayne

Johnny Carson used to crack jokes about Wayne Newton when Newton was a chubby singer with a high-pitched voice. But with the failure of a deal proposed by Carson to buy the Aladdin, Las Vegas' scandal-plagued hotel-casino, Newton and his manager had the last laugh. They made a bid of their own. No longer chubby or high-pitched, Newton is now one of the richest entertainers around. If the $105 million Aladdin deal goes through, Newton will add it to a string of investments in such assets as real estate and Arabian horses, which, along with his singing, gross $1 million a month for the 37-year-old entertainer, who has been playing Las Vegas since he was 15.

Singer-businessman Newton
Better than a 30-foot oil well.

Ordered to sell the 943-room hotel after a Detroit federal jury convicted them of hiding shady ties, the Aladdin's owners saw five deals fall through before Newton's group surfaced. The down payment is only $2 million, indicating how desperate the old owners are, and Newton admits the hotel needs more than just new owners: Last year it was rumored to have made just over $2 million, while a block away places like Caesars Palace and the MGM Grand earned about 5 to 10 times as much. Newton concedes that the hotel's 7,500-seat "theater for the performing arts" was a mistake; recently the Aladdin was giving away tickets to try to attract a decent crowd for the arena's ice show.

"I've been down the path of bad business deals before," says Newton, who once invested in a 30-foot oil well. He thinks he's got a winner, though, this time around.—*Ellen Paris*

1ST Q80

1st Q-80 Performance Profile • Crouse-Hinds Compan

Net income up 20% over first quarter of 1979.

The Company's steady growth during the decade of the 70s continued with record-setting performance for the first quarter of 1980.

Net income rose 20% to $7,091,000 and net sales were up 14% to $102,434,000. Fully diluted earnings per share of $.56 gained 19% over 1979's first quarter earnings. In addition, total Company consolidated incoming orders (a major indicator of second and third quarter revenues) were up 18%.

1979 return on shareholders' equity exceeded 18% for sixth consecutive year.

This critical measure of company performance rose to a record 21.6%—exceeding the 18% level for the sixth straight year.

Crouse-Hinds Company has followed a planned strategy of geographic, market and product diversification. This strategy not only gives the company broad-based stability that strengthens its performance during cyclical or uncertain economic conditions, but also firmly positions Crouse-Hinds to take advantage of worldwide, energy-related growth markets of the 1980s.

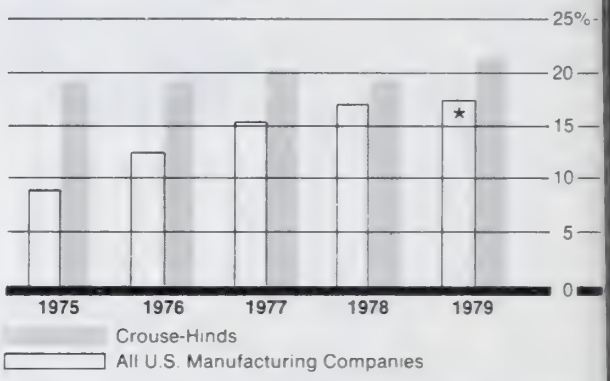
Gearing up for growth.

A particularly key market for Crouse-Hinds products—worldwide hydrocarbon processing spending—is projected by outside economists for a 13% growth during 1980. Further, foreign spending for hydrocarbon processing is now three times greater than domestic spending. With well developed international business relationships, both Crouse-Hinds domestic and international operations are positioned to capitalize on this growth. That's just one of many reasons we at Crouse-Hinds face the uncertainties of the future with a certain confidence—that the Crouse-Hinds team is ready to attack the challenges of the 80s, not just to react to them.

Write for our annual and quarterly reports.

For a copy of our 1980 First Quarter Report and the 1979 Annual Report, write the Vice President, Corporate Affairs, Crouse-Hinds Company, P.O. Box 4999, Syracuse, New York 13221.

CROUSE-HINDS COMPANY PERCENT RETURN ON SHAREHOLDERS' EQUITY (ROE) vs. THAT OF ALL U.S. MANUFACTURING COMPANIES



*1979 estimate for All U.S. Manufacturing Companies based on 9 months actual. Source: Federal Trade Commission Quarterly Financial Reports

Financial Highlights

FIRST QUARTER CONSOLIDATED RESULTS

(Subject to Year-end Audit) Quarter Ended March

	1980	1979
Net Sales	$102,434,000	$90,235,000
Operating Expenses	89,464,000	78,917,000
Net Income Before Taxes	12,970,000	11,318,000
Taxes Based on Income	5,879,000	5,385,000
Net Income After Taxes	$ 7,091,000	$ 5,933,000
Earnings per Common Share *		
Primary	$.58	$.49
Fully Diluted	$.56	$.47

*Restated for 3-for-2 stock split of November 2, 1979

Our business is electrifying ideas.

CROUSE-HINDS

CROUSE-HINDS

t with capital spending programs that can't be cut back and the pect of sharply lower earnings, directors will inevitably have to k twice about whether their current dividends are sustainable.

If you gotta cut, you gotta cut

E CURRENT RECESSION may hit ividend payments harder, much arder, than did the 1973-75 reces- ast month's action by General to cut its regular quarterly divi- early in half, from $1.15 to 60 er share, may be only a foretaste by others to come.

prospective bad news is largely lt, of course, of the severe down- corporate profits that lies directly Depreciation cash will rise, but ugh to offset profit declines. To- flow will fall far short of the s needed to pay for already com- capital spending projects.

g run up a lot of short-term debt anks and in the commercial-pa- ket, many companies are using eeds from the record volume of m money borrowed in April and marily to repay that short-term t to meet new capital expenses l working capital. As earnings here will be no alternative except reluctantly, to be sure—the divi- d thereby retain more cash.

t E. Lewis, vice president-economics at Citibank, may have put his finger on why so few forecasters seem aware of the extent of dividend cuts ahead. He estimates that total profits of U.S. corporations this year will fall only 3% after taxes, from $144 billion to $139.7 billion. But, alas, that's the only number many forecasters will glance at. Eliminate oil company profits, Lewis says, and the outlook is for a 10% to 15% slump in earnings. (His data, incidentally, are based on expectation of an "average" post-World War II recession; the word now is that this one is going to be much worse.) An earnings slump that big would affect not only companies like General Motors with clearly cyclical earnings patterns but also companies thought to be "recession-proof." *(For a list of companies relatively more vulnerable than others to dividend cuts, see p. 72.)*

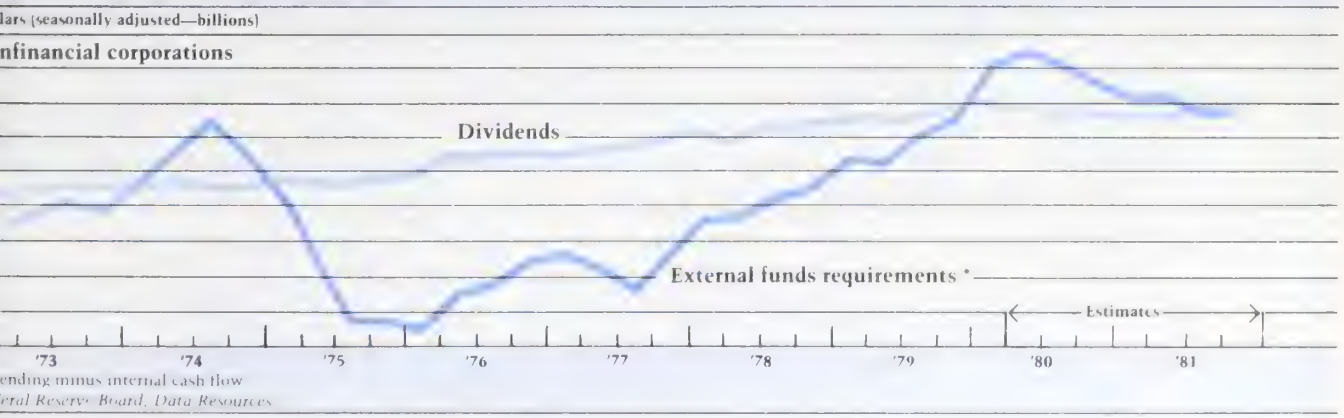
Ongoing capital spending needs are not the only reason for concern about present dividend rates. The dividend outlook is also in doubt, Lewis says, because of management overenthusiasm in 1979. "A lot of corporations raised their dividends over the 1978 rate based on their 1979 results," he says. "A couple of quarters from now, when they look at their earnings stream, they will be forced to decide it's necessary to cut back."

Asked about his own cash needs at a recent lunch, the head of one FORBES 500 company said, "We'll get by. We'll get 80% of it from cash flow." Asked what life would be like if he didn't have to pay anything to his stockholders, he grinned and said, "Hell, then we'd be in clover." But he quickly added: "We couldn't do it; it would wreck our stock and cause dumping by institutions." He sounded almost wistful, though. If you gotta cut, dividends seem the easiest way to go.

For a lot of reasons—pride, stock market reaction, genuine concern for those stockholders who urgently need their checks—directors are traditionally loath to tinker with the dividend. In the past three recessions, Lewis points out, dividends held fairly stable. The present recession may be rougher on them, but look at it this way: What's worse? A temporary dividend reduction? Or serious damage to a company's financial and operating structure? ■

Something's gotta give

e deepening recession, inflation and a small chance of letup in capital spending needs—after all, you can't *lf* a factory—a cash squeeze is on. Something's got to give. Expect dividends to take the heat, in contrast to 1973-75, when, despite a tough recession, companies were better able to avoid cutting their dividends.



You can't be sure that utility rate commissions will choose wisdom over populism.

SHORT CIRCUIT IN ELECTRICALS

By Ben Weberman

SOME PEOPLE think utility bonds are outstanding buys at this time. I am not one of the people who thinks so. It strikes me that the entire utility group is overrated as a haven for safe, yield-hungry money.

In any business, the underlying circumstances tend to change more quickly than the public perceptions of them. Utility bonds are no exception. It was assumed that the rate-making commissions would almost automatically set rates at a level that would permit safe coverage of interest and a reasonable profit. No more. You can't assume anything about the commissions these days. There are too many political types on them who try to become heroes to the press and public by "fighting" to hold down the price of gas and electricity.

In the mid-1970s, the utilities were first hit by a change in investor preference as oil prices skyrocketed. It became faddish for analysts to search for the companies least dependent on oil. Hydroelectric generating facilities were premium products—until they ran into a drought. Nuclear power was the next to be hit when the press and and TV blew Three Mile Island out of proportion and enabled the antibusiness types to have a field day at the expense of companies who had invested in nuclear power. Coal was recommended—but dirty.

Oil, nuclear, hydro, coal. The fact is the entire industry is in trouble. Costs of production have been rising rapidly regardless of the source of generating power. Consumption was declining even before the recession began. This has touched off a deadly cycle. Consumption is obviously responding to the cost of energy. Each increase in rates brings further conservation by business and the consumer.

Some of the utilities may actually go under. Sure, in the long run investors may be bailed out, but who wants to sit with bonds that are in arrears on interest and selling at 50 cents on the dollar while you wait for the lawyers and politicians to sort things out?

The *electric* utilities have an additional problem. Most are in the midst of massive programs to expand generating capacity. They need cash, externally and internally. The eroding earnings, however, are going to make it very difficult to come up with all the money required.

In their oblique way, the rating agencies are starting to warn investors of the dangers. When Standard & Poor's gave Iowa Power & Light Co. a rating of A on a late May sale of $30 million first mortgage bonds, it cautioned: "Ongoing periodic rate increases will be needed to provide appropriate bondholder protection in future years."

Rate increases are not the answer to bondholder protection. Fixed-charge coverage of Iowa Power was 2.79 times in 1978 but dropped to 2.39 by the first quarter of 1980. The trend, despite rate adjustments, is obvious.

Public Service Electric & Gas is an AA-quality issue. What does S&P's think? "Indirect coverage has declined in response to cost pressures. . . . Periodic rate increases would appear to be required to allow satisfactory measures of earnings protection and financing flexibility over the long term."

Or take Cincinnati Gas & Electric: AA-tagged, coal-fired utility. The company was granted a $35 million rate increase out of a requested $80 million increase. Coverage is down to 2.24 times fixed-charge requirements from 2.60 in 1977.

In other words, the bonds are okay—*if* the regulators keep the increases coming. Will they? May
But you can't be sure.

Are these isolated cases? No. Th
are taken in sequence from the M
24 issue of Standard & Poor's week
Fixed Income Investor. They are ty
cal. Maybe I'm wrong. I hope I a
Let's hope the various rate comm
sions will use their heads and choo
wisdom over so-called populism. T
point is, however: Why take
chance? Is the extra yield rea
worth it?

As this is written, it is very easy
swap out of utility issues into U
Treasury securities. Long-term Tre
suries such as the 10s of May 15, 20
are priced to yield 10.25%. T
11.38% Texas Power & Light bon
due 2010 are priced to yield 11.45
You sacrifice 1.20% of interest for t
peace of mind of holding a Treasu
obligation that is safe from defau
and cannot be called before 2005. T
high-yielding Texas utility issue
callable at any time after May 1, 19
if interest rates have fallen.

There's money to be made
bonds this year—even though bo
prices have already rallied sharply.
why reach for an extra point or tw
in interest and risk owning utili
bonds whose quality may continue
decline?

Interest rates are going to fall b
cause inflation is going to slow dow
much faster than most experts expec
While the experts are debating wheth
er inflation is going to drop to 10% o
9.9% and sending their electroni
model wheels spinning, Sindlinger &
Co. is learning from the thousands o
calls made daily to the public tha
individuals no longer want to rush ou
of money into goods. They believ
prices have stabilized. And they can'
afford to make many purchases any
how. The *Wall Street Journal* report
that, with the collapse of autos an
housing, price-cutting has been in
fecting steel, autos and tires. Lead
nickel and molybdenum are on th
discount list, too. Aluminum shoul
join the club after it gets finished fill
ing backlogs of orders because new
ones are not coming in.

With utilities facing power-consumption cutbacks such as those described above, can reduced use o
petroleum keep us far from the long-awaited glut?

Bring inflation down to 8% this year and 6% in 1981 and bonds are still a buy at today's high (relative to Apr. 1) prices. Does 6% inflation seem an impossible dream? Not to me it doesn't. ■

Ben Weberman is economics editor of FORBES *magazine*

Should you be buying or selling these stocks?

United's advice may surprise you!

Facts, figures, analysis, appraisal of risk and specific buy-hold-sell advice

20 Oil Stocks

United believes some are good buys right now

Atl Richfield	Conoco	Gulf	Mobil	Royal Dutch	Std Oil Ind	Texaco
Brit Petroleum	Exxon	Kerr-McGee	Occidental	Shell Oil	Std Oil Ohio	Union Oil
Cities Service	Getty	Marathon	Phillips	Std Oil Calif	Sun Co	

80 Utility Stocks

United's own 13 point evaluation. Here are a few of the stocks covered

Allegheny Pwr	Carolina Pow	Fl Pwr	Houston Ind	NY State El	Ohio Ed	San Diego G & E
Am Elec Pwr	Cent Ill P S	Fl Pwr Lt	Idaho Pwr	Niagra Mohawk	PS New Hamp	So. Calif Ed
Ariz Pub Ser	Cent La En	Gen Pub Util	Nevada Pwr	Northeast Ut	Puget Sound	So. Carolina
Atlantic City	Duquesne Lt	Gulf States	New Eng Elec	North Ind Pub Sv	PS New Mex	Southern Co
Balt G & E	Eastern Util	Hawaiian Elec	New Eng G & E	No States Pwr	Rochester G & E	Southwest Pub Ser

11 Television Stocks

The television industry is on the threshold of major change

ABC	RCA	Tandy	Viacom Int'l
CBS	Scientific-Atlanta	Teleprompter	Warner Comm
MCA	Sony	Time	

13 Gambling Stocks

Are they on the move again?

Bally	Gen. Inst.	Holiday Inns	Playboy
Caesar's World	Golden Nugget	Showboat	Ramada Inns
Del Webb	Hilton Hotels	MGM	Resorts Int'l
Elsinore			

6 High Tech Stocks

Exciting growth opportunities for those willing to look ahead

EG&G	M/A-Com	Rolm Corp
Intel Corp	Perkin-Elmer	Texas Instru

7 Airline Stocks

Are they about to take off?

American	Eastern	UAL	Southwest
Delta	Northwest	PSA	

Plus a full 8-Week Subscription to United Reports

• Stock Market Analysis and specific recommendations • General Business Forecast • The Supervised List
• Buying advice of other services • Bonds and Preferred Stocks • Stocks to sell or avoid • New product studies
• Views of leading authorities . . . and much more

8-issue subscription to United Reports alone is a $20 value.
This entire package only . . . $5

MAIL THE POSTAGE PAID REPLY CARD TODAY! SEND NO MONEY . . . WE WILL BILL YOU

UNITED Business & Investment Service
210 Newbury Street, Boston, MA 02116

F6-23

Could it be that investors are anticipating the eventual upturn in the economy? It may not come for as long as a year or so.

TOO MUCH TOO SOON?

By Heinz H. Biel

MAY, usually, is not a good month for the stock market. More often than not it is so bad that analysts measure the traditional summer rally from the lows of May to whatever highs are reached in July or August. This year, obviously, is an exception.

It is not quite clear from where the stock market derived its exuberance last month. If it is the abrupt drop in money rates—yields on 90-day Treasury bills came down from a 16½% peak in March to a recent 7½%—which is being interpreted as the reason for the celebration, there seems to be a misunderstanding that needs to be corrected.

If I understand correctly what the Fed's Paul Volcker is doing, he is merely easing his foot off the credit brake, because the objective, *i.e.*, reducing the excessive creation of credit in all areas, is gradually being attained. The Fed has not touched the accelerator yet, and I doubt very much that it has any intention of doing so—at least not for the time being.

The slowdown in the rise of the consumer price index, while most welcome, of course, is no cause for jubilation either. The improvement was due largely to the fact that gasoline prices did not go up in April, which can hardly be viewed as an abatement of inflation.

The recession is now in full swing and business statistics will worsen in the months ahead. This is common knowledge, and it was discounted by the deeply depressed level of stock prices earlier this year. Could it be that investors already are anticipating the eventual upturn in the economy? It may not come for as long as a year or so.

We have had a 100-point rise in the Dow since it hit a two-year low on Mar. 27. It may be time now for the market to take a breather. People have a tendency to become more bullish as a rally progresses and broadens. I think one should resist this inclination and become a little more cautious rather than more aggressive.

The price recovery of long-term bonds, which was so rapid initially, has slowed down to a crawl. This was to be expected, because of the huge and still-growing volume of new offerings as corporations strive to replace their short-term borrowings with long-term debt. Bond yields are still tempting, particularly by comparison with the sharply reduced returns on T-bills, money market funds and six-month certificates.

However, while it is easy to *buy* bonds, particularly new issues, I urge individual investors to remember how extremely difficult it was only a few months ago to *sell* bonds, even listed bonds, except at sacrifice prices. Marketability seems unimportant until you want to or have to sell. If it is important to maximize current income, I would give preference to good-quality utility stocks, whose yield and price performance is similar to that of bonds. If it has to be bonds, stick to Treasury notes and bonds or to corporates maturing within five years or so. The marketability problem is as bad or worse in the tax-exempt sector, where four-point spreads between bid and ask prices are commonplace.

Since I consider the stock market somewhat overbought now and susceptible to a period of hesitation, if not correction, I would not be overly eager to use up any remaining buying power at this time. Keep some powder dry in the expectation of a more advantageous buying opportunity. This caveat also applies to the following comments on individual stocks.

The yield spread has turned so much in their favor these past t months, that most banks will hav strong second quarter and an excelle year. Many bank stocks are selling less than 5 times earnings for the p 12 months and at a huge discou from book value. Dividend yields generous. I favor *Chase Manhatt* (42½), *Bankers Trust* (48) and *Irvi* (37) for the more aggressive invest *Bank of New York* (32) and *J.P. Morg* (47) are suggested for conservative i vestors. Fast-growing *Republic N York Corp.* (50), first mentioned in t column as long ago as 1972, is one the very few bank stocks to reach alltime high this year. *BankAmer* did so last year. These two as well Morgan sell close to or even abo their book value, a fact that speaks f itself.

It is somewhat ironic that two the major cigarette makers, *America Brands* (73) and *Philip Morris* (38), ha recently sold at record prices, and *R Reynolds* (38) has not been doing badl Unless you have scruples about smo ing, these are good stocks to own.

General Instrument (47) is a som what volatile market performer wit a 1980 range of 54 to 38. It is highl probable that earnings for the curre fiscal year (ending February 1981) wi top last year's $5.90 a share by a fai size margin. GRL's business econ passes such promising fields as ele tronic betting equipment, cable T products, semiconductors, etc. would view any price setback as buying opportunity.

When *American Broadcasting* (29 lost its number one position in the T rating race and reported a 5-cent-a share decline in first-quarter profit (from 91 cents to 86 cents), the stoc plunged some 20 points from its 197 peak, close to its lowest level in thre years. Earnings estimates for 1980 ar in the $5.75-to-$6 range. This is rather unorthodox business and man people have reservations about invest ing in it. However, at its present pric I'd give the nod to ABC.

The stock of *CBS* (48), the new lead er in the ratings game, held up fairl well in the marketplace, despite th upheaval in the executive suite and a 27% drop in first-quarter profits (from 64 cents to 47 cents a share). The new CEO of CBS, Thomas H. Wyman, has superb credentials. He had left Polaroid some years ago when he realized that the top spot there was permanently occupied. He comes to CBS from Pillsbury via Green Giant. Because of Wyman's appointment, CBS should deserve a strong *hold* rating. ■

Heinz H. Biel is a vice president of the NYSE firm of Janney Montgomery Scott

Competition.

It's what we face every day on our trading floor. Now we're getting some from outside. We can't wait.

f imitation is the sincerest orm of flattery, we are sincerely flattered.

Financial futures were first raded on the International Monetary Market on May 16, 972. Before that, there simply wasn't any such thing. Today financial futures contracts are traded on a number of exchanges in proliferating numbers.

We don't regret the competition for a moment. It is, after all, the lifeblood of our industry and we know—from our trading floor experience—that competition makes for greater efficiency. The competition among our own members to secure the best possible prices for their customers is what has made the IMM so successful for eight years. We consider ourselves the most efficient financial futures market in the world and we have no intention of allowing that to change.

We have more active financial futures contracts than any other exchange. We are years ahead of our competition.

Our members have more expertise and are better equipped to service their clients. We have the institutional financial strength and integrity that is second to none and we are the only exchange to have a multi-million dollar trust fund to protect the public.

Competition is nothing new to the IMM—in fact, it's an old friend.

For more information, call toll-free 800-228-2027, in Nebraska 402-571-4900.

INTERNATIONAL MONETARY MARKET®

Division of Chicago Mercantile Exchange®

Offices in New York and London.

The Russians are looking for two things: a big crop of their own and a lot of sugar from Castro. They probably won't get both.

NO SUGAR BEARS HERE

By Stanley W. Angrist

SUGAR is making news again. The last time sugar caught the trading public's fancy was in 1974. In January of that year, the number 11 world sugar contract was trading around 12 cents per pound but by November it had touched 66 cents. That is a runup that rivals the recent explosion in silver prices insofar as equity change per contract is concerned. (Each penny change in price for sugar is worth $1,120 per contract; thus the January-to-November price gain was worth $60,000 per contract.) It should be noted that the ensuing sell-off brought sugar back to 12 cents per pound in less than six months.

The world derives about 63% of its sugar from cane, with Brazil and Cuba normally the two biggest producers. They each produce about 8% of the world total. The largest producer of sugar beets is the Soviet Union, which also produces between 7% and 9% of the world's sugar.

The table suggests that the current world sugar production deficit will reach at least 4.7 million metric tons. Lately there have been trade reports forecasting a deficit of 6 million to 7 million metric tons, while the USDA figures show a 5.5 million metric ton shortfall.

Production estimates for the current season range between 84 million and 87 million metric tons, compared with around 91 million metric tons in the 1978-79 crop year. Current usage is also put at around 91 million metric tons. This would cause the carryover to drop to around 25 million to 26 million metric tons, or around 28% of consumption. Historically, 24% is considered to be "normal" and well under the burdensome levels of the past two seasons. This turn of events has given a distinct bullish cast to the supply/demand equation.

Sugar-beet plantings can experience significant year-to-year changes because beets are an annual crop, whereas sugarcane has a longer life cycle. Europe, the key sugar-beet-producing region, is expected to show a 2% increase from the 1979 acreage. However, the high yields of the past season in Western Europe are unlikely to be repeated. Thus, Western European production increases are likely to be minimal.

The Russians, however, are counting on a big increase in production. Last year's disastrous crop of 7.6 million metric tons, which suffered from bad weather, is expected to rise to more than 9.8 million metric tons. However, cold weather in March delayed field work for all of their spring crops and sugar beets are apparently off to a slow start.

The Russian situation becomes more interesting when one considers that they consume between 12 million and 13 million metric tons. How do they make up this shortfall? Why, their friends (clients?) in Cuba have, in recent years, supplied what th couldn't produce. But the Cubans having some difficulty themsel with this year's crop—mostly due plant diseases. This has forced t Soviets to go into the world market make up their needs. (It is also int esting to note that the Russians ha the second highest per capita su consumption in the world at 1 pounds—Australia is first and the U is third.)

The 1980-81 crop year looks m and more like a second producti deficit in the making. If there are p duction increases, they will most lik ly come from the Russians. T world's final production will be large determined by the weather. At a rate, to expect more than a mode increase in production would be fo ish, and only a 2% increase in co sumption would produce another d pletion of sugar stocks. The questi then is how much will all of the bullish statistics cause prices to ri from current levels? I am not willi to make an outright guess on th number.

I would be willing to risk a bu spread in sugar, however. The one would consider trading is long Oct ber/short March. I would try to sell th March with at least a 120-point pr mium (1.2 cent) to the October. I bearish years like 1976 and 1977, th premium on March to October ha gone as high as 150 points. In bullis years like 1974, October rose to a 90 point premium to March. I would no expect either of those extremes thi year. I do believe October could go t even money with March for a $1,12 profit. I would risk no more than 3 points ($392) from my entrance level

The margin on a sugar spread i about $2,000, while the round-tur commission is about $100. ■

Stanley W. Angrist is a professor at Carnegie-Mellon University and the author of Sensible Speculating in Commodities

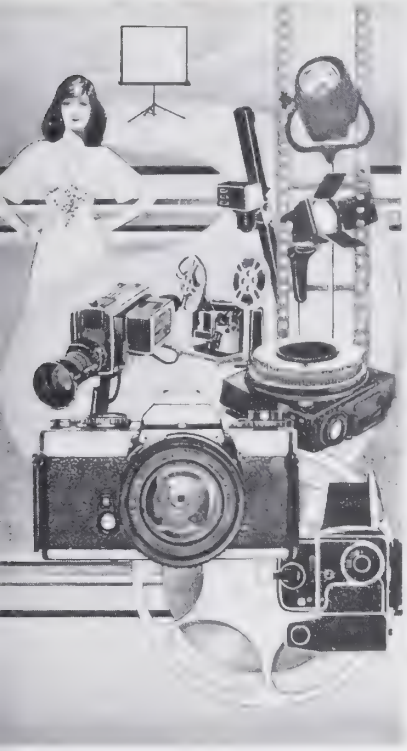
A delicate balance

Sugar's price is influenced to a large extent by the size of the remaining sugar stocks in comparison with consumption. On the basis of the present outlook, the bulls have an interesting play.

Sept-Aug season	World production[1]	World consumption[1]	Final stocks[1]	Stocks as % of consumption	Season average price[2]
1974-75	78.5	76.4	17.5	22.9%	30.51
1975-76	81.8	79.2	20.5	25.9	13.61
1976-77	86.9	81.8	24.8	30.3	8.21
1977-78	90.9	85.7	30.1	35.1	7.52
1978-79	91.4	90.5	30.7	33.9	8.21
1979-80	86.4[4]	91.1[4]	25.8[4]	28.3	15.82[3]
1980-81	90.0–93.0[5]	93.0–93.5[5]	22.0–26.0[5]	23%–28%	

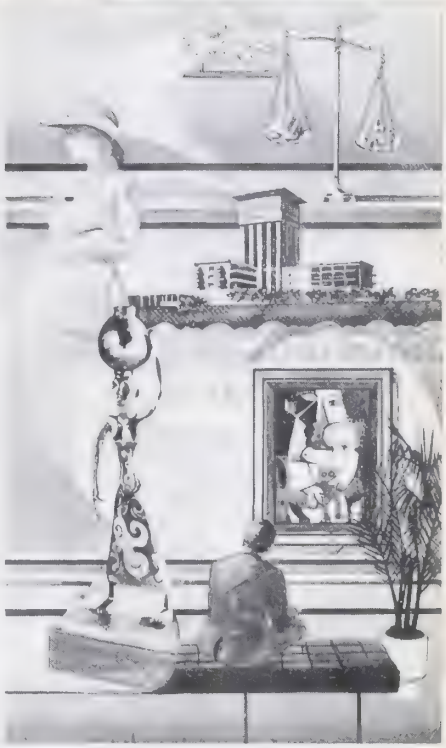
[1]In millions of metric tons. [2]In cents per pound based on average world spot prices. [3]September through March. [4]Estimated. [5]Projections.
All numbers, other than estimates and projections, provided by F.O. Licht.

SERIOUS BUSINESS.



OTOGRAPHY:
TEMBER 15, 1980

INTERNATIONAL
TRADE:
OCTOBER 27, 1980



PERSONAL
INVESTMENT:
DECEMBER 8, 1980

Newsweek International Special Sections/1980

ery week, Newsweek International focuses an audience loaded with buying potential. t Special Sections/1980 will target in even hter...on men who make critical business cisions; key executives with incomes which ow them to buy what they want, when they nt it.

a market you can't afford to miss.

ecial Sections/1980 will focus our readers' ention on specific product areas. Relevant, ormative editorial will provide your adver- ng with a high-intensity, response-oriented vironment.

IOTOGRAPHY:

art as well as science; Newsweek pays mage to both. Interviews with leading pho- graphers will give readers useful insights o new techniques. Articles and bulletins ll cover new developments in cameras, ses, meters, film, home darkroom setups d more. Issue Date: September 15. Adver- ng Close: July 28.

INTERNATIONAL TRADE:

New opportunities, new regulations, new barriers to consider—these and other subjects will be examined by experts in multi-national commerce. As world trade expands, so do the services available to marketers and manufacturers: Special Sections/1980 examines them in fine detail. Issue Date: October 27. Advertising Close: September 8.

PERSONAL INVESTMENT:

Where is the "smart money" going? Gold? Collectibles? Real Estate? And what are the tax ramifications, the legal restrictions, and the risk/reward factors involved? Expert investment managers will share their experiences and insights with 1,200,000-plus Newsweek International readers. Issue Date: December 8. Advertising Close: October 20.

To reserve space, or get more information about these and other Special Sections/1980, contact your Newsweek International representative.

And get ready to do very serious business.

THE INTERNATIONAL NEWSMAGAZINE

SALES OFFICES: New York • Chicago • Los Angeles • San Francisco • London • Amsterdam • Frankfurt/Main • Geneva • Paris • Rome • Hong Kong • Manila • Sydney • Tokyo

This space contributed by the publisher.

"Maybe it will go away."

The five most dangerous words in the English language.

American Cancer Society

We want to cure cancer in your lifetime.

TEXAS UTILITIES COMPANY

COMMON STOCK DIVIDEND

The Board of Directors has declared a regular quarterly dividend of 44 cents per share on the common stock of the Company, payable July 1, 1980 to shareholders of record at the close of business June 6, 1980.

R. E. FONVILLE
Secretary

Dallas, Texas
May 16, 1980

Electric Utility Subsidiaries:

Dallas Power & Light Company
Texas Electric Service Company
Texas Power & Light Company

While there probably is not as muc opportunity in direct trade with mainlan China as one might hope, there is a goo indirect way to profit.

CHINA CARD

By John Train

THERE HAS BEEN a great deal of talk about which American companies stand to profit most from the opening of commercial ties with mainland China: the hotel companies, the turnkey factory suppliers, the banks or whatever.

I have a curious sense of *déjà vu* about all this: It reminds me of the excited speculation that one heard back in the 1950s about who was going to make money from atomic power. Almost nobody did, although a number of stocks had quite a run.

So often a concept like this one takes years and years to work out, and the first arrivals are not necessarily better off than those who come later.

A further caveat is that often the best way to play a new opportunity is not by taking a stake in the direct participants, but rather by appearing at the secondary level. The people who were most likely to make money in the Klondike or the Yukon gold rushes were generally not the poor fish who sat waist deep in icy streams panning for gold, but rather the merchants who sold them those pans, or, indeed, ran the local bar or sporting house where they spent their hard-earned profits on Saturday night.

While I am not very optimistic about direct trade with China, I do find very interesting the extraordinary growth prospects of the whole Pacific basin, of which Japan is now the dominant partner. And I see a good way to play what one might better call the "Pacific card," by the indirect route rather than the direct one.

John Train is president of Train, Smith, Investment Counsel, New York, and the author of The Money Masters *and* Dance of the Money Bees.

It's through a company I have of mentioned: *American Internatio Group*, the leading international surance underwriters. It origina started in China, left as World Wa began, has spread worldwide, and 1975 returned to China, the fi Western insurance company to readmitted. That gives it, in essen a gross assets royalty on foreign bu ness there, since AIG is the larg foreign insurer, including politi risk, in China.

It is also the largest foreign life surer in Japan, Taiwan, the Phil pines, Hong Kong, Malaysia and S gapore. This offers AIG an opportu ty to profit from the growth of t hard-working managerial cl throughout the region. AIG recen reported earnings rising at the us 20% compound growth rate, both the latest quarter and for the year.

For a company that makes its mo ey in cash, rather than taxable but n spendable accounting profits, that i wonderful record. Even better, the seems no reason why the trend shou not continue. AIG has built $100 m lion in assets into $1 billion—all cash—in the last ten years.

The stock would sell at a mu higher multiple than its present times 1980 earnings if the compa were better understood.

The uniqueness of AIG consists its internationalism and its innov tive skill. It has 15,000 overseas e ployees, mostly foreign national compared with barely one-tenth many for its closest U.S. rival in fo eign coverage. That means it ca make its money directly in intern tional business, rather than indirect through part ownership of correspo dent firms abroad. It also means th as all business gets more internatio al, people are forced willy-nilly in covering risks through AIG. For in stance, if a German company succes fully bids on a contract in mainlan China, it will have to insure throug AIG, since nobody else has the peop

place and service the risk in both ermany and China.

AIG is, indeed, the only insurance mpany with worldwide underwrit-g, agency and service facilities. Its bsidiaries are admitted as domestic surers in 80 countries, including Ja-n, where it writes about 15% of its sualty and liability premiums. bout 66% of AIG's life insurance rnings (which in turn represent)% of its total profits) come from the r East, notably from sales of whole e policies to the prospering manage-l class. These policies are usually yable to beneficiaries in any coun-y they move to, and so constitute a rm of movable savings—quite a sell-g point in a jittery area.

Almost 20% of AIG's business de-ves from multinational companies, cluding managing their captive in-rance subsidiaries, which, inciden-lly, are a good market for AIG-gen-ated reinsurance.

AIG will accept larger single insur-ce risks than any other underwrit- which gives it several important vantages. First, since it accepts)% of any given risk (called "gross nes" underwriting), insurance okers tend to try it first because of e convenience. This means it can very selective about the risks it cepts, which are usually only about e-fourth of those offered to it. That turn makes possible an exception-y high profit margin. Then, AIG is e largest source of reinsurance. It ually cedes to reinsurers about half e risks it accepts, and earns a com-ission on the business ceded. AIG nsurance risks are in good demand, cause their selective acquisition rmits high profitability.

Since AIG is a gross lines under-iter, if after a huge catastrophe—a n Francisco earthquake, for exam-e—its reinsurers were unable to re-ond, it would be unusually vulner-le. But it is well aware of such risks.

Management owns almost 40% of G. Maurice Greenberg, whom C.V. arr, the company's founder, picked as s successor in 1967, owns over 0,000 shares. He is also 1 of the 10 ting shareholders among the 110 rrent and former company execu-ves who beneficially own Starr Inter-tional Co., Inc., which owns 19% of G, constituting effective control.

For those who share manage-ent's—and my—view that a good y to invest is to become an owner a wonderful business and watch it ow and grow, that's an acceptable rangement. ■

Let VALUE LINE Help You Identify

100 STOCKS TO BUY NOW

Plus 400 stocks that should be avoided for now.

To make your portfolio perform well, it's important to be able to identify the most timely stock selections and to be able to weed out any "misfits." You should also be immediately aware of significant *changes* in any of your stocks.

That's why The Value Line Investment Survey every week of the year ranks 1700 stocks—each *relative* to all the others—for *Probable Market Performance in the next 12 Months,* as follows:

100 stocks are ranked 1 (Highest)
300 stocks are ranked 2 (Above Average)
900 stocks are ranked 3 (Average)
300 stocks are ranked 4 (Below Average)
100 stocks are ranked 5 (Lowest)

Note: Not every stock will always perform in accordance with its rank. But it is a fact that favorably ranked stocks, as a group, have outperformed poorly ranked stocks with remarkable consistency since the ranking system was introduced in 1965.

While past performance can never guarantee future success, this record of more than 15 years of successful discrimination strongly suggests that you can tilt the investment probabilities in your favor by using The Value Line ranks to give you objective indexes not only of Timeliness but Safety and estimated yield as well.

SPECIAL OFFER

Value Line is offering a special introductory 10-week trial subscription to The Value Line Investment Survey for only $33—about half the regular price, provided you have not had a subscription in the past two years. As a double bonus at no additional charge, you will receive the 2000-page Investors Reference Service (covering 1700 stocks) which will be updated every week—filing takes but one minute a week—and the 96-page booklet, "Evaluating Common Stocks." Send check or money order along with name, address and zip code together with this ad to:

The Value Line Investment Survey

Arnold Bernhard & Co., Inc. 711 Third Ave., New York, N.Y. 10017

816B23

☐ Begin my 10-week trial to The Value Line Survey (limited once to any household every two years) and send me the two bonuses listed above. Check for $33 is enclosed. (Trial subscriptions must be accompanied by payment.)

SPECIAL EXTRA BONUS

A famous-make pocket-size CREDIT CARD/CALCULATOR (with full memory) given to you when you order The Value Line Investment Survey for one year—and send payment now.

☐ 1 year for $330. My payment is enclosed—send me the CALCULATOR as my extra special bonus. (There are no restrictions with this annual subscription.)

☐ Enter my subscription now. Bill me for $330. (Does not include the calculator.)

SIGNATURE

NAME (please print)

ADDRESS APT. NO.

CITY STATE ZIP

GUARANTEE: If dissatisfied for any reason, I may return material within 30 days for full refund of the fee I have paid. Subscription tax-deductible and nonassignable. Foreign rates on request. (NY residents add sales tax.)

High taxes, high inflation and queasy stock markets are pushing people to do complex and imaginative things.

NECESSITY AND INVENTION

By Srully Blotnick

"I EXPECT rates to keep on going down, and to stay down," said a 49-year-old distributor of packaging materials. "Rates might uptick a notch or two," commented a 46-year-old salesman, "but the trend is clearly toward lower numbers than the 8% to 9% we're now seeing." A 54-year-old executive at an electronics firm reported: "There are a lot of potholes in the road ahead. We're not out of this thing by a long shot. Anyone who's in business can tell you that. But one problem I don't expect again is high interest rates."

A strange consensus is emerging. On the one hand, the investors in my sample are well aware of a host of economic difficulties that we now face, "especially in an election year," many add. On the other hand, they are growing more assured each week that they can put one problem, until now a major one, behind them. A few of them, but by no means all, are beginning to test the stock market waters again. And they are doing so in inventive ways that will make even hardened veterans of market analysis smile. Take Don, a 49-year-old pharmacist who owns four drug stores and is in the 50%-plus tax bracket. Don has $118,000 in a money market fund, and is convinced that rates are headed lower. Hence, as he puts it, "the fund has outlived its usefulness. It's time for me to move on."

Where has he started putting his money? Into the common stock of the Long Island Lighting Co. (Lilco). "How come?" I asked. "I thought you hated utility stocks." "I do," he replied, "and I've never bought any before. But listen: With the stock at 16, they're presently paying over 11%. In 1979 100% of the dividend was a return of capital, and in 1980 almost all of it again will be."

In Lilco's case, almost all of the $1.78 dividend, soon to be raised to $1.86, will be a return of capital, according to a company spokesman, "thanks to the heavy construction and capital investment expenses we've been incurring." There are a number of utility analysts who look warily upon a company's dividend being a return of capital. They see that as proof that the company isn't earning enough to cover its dividend, and so is literally distributing capital.

Investors like Don, however, have something else in mind, particularly in the case of a utility as well managed as Lilco. (It placed tops in the Northeast in five-year return on equity in FORBES' 32nd Annual Report on American Industry, Jan. 7, 1980.) Don is less worried about managerial excellence or where the dividend comes from than he is interested in the fact that the IRS counts Lilco's dividend as a return of capital.

Why is that so important to him? Because a return of capital dividend has whopping tax advantages over a dividend paid from earned income. You need pay no tax on the dividend when you get a return of capital (Lilco only gave you some of your money back). The dividend does, however, reduce your purchase cost. Thus if you paid $17 a share for the stock, and get a $1 dividend, your cost basis is now $16. If you break even on the stock, you find you have to report a capital gain of $1. But for a 50% bracket investor, the effective capital gain rate is only 20%. Wouldn't you rather pay a 20% tax in the future than a 50% tax right now? Don sure would.

But this isn't enough for Don. He's a roller, likes to play stocks on margin. So he's planning to leverage his Lilco deal. He's borrowing on his dividend-producing Lilco stock to l stocks he thinks will appreci Monsanto, Chessie System a Union Carbide.

Here's the deal: The broker lo rate is now down to 12%. Interest margin loans is a deduction from t able income so the aftertax inter cost to Don is only 6% or so. Th Don is invested in some stocks likes and simultaneously maki money on the spread between an fective interest cost of 6% and a t sheltered Lilco yield of 11%. Comp cated? Yes, but in Don's view, nec sary. In his words: "Find me a mon fund—any money fund—that can gi me this kind of return."

When I interview the European p tion of my investor sample, it h become common practice over t years for me to include as one of t questions: "What country is yo money in now?" If they answ "yours"—meaning that it has be invested in stocks traded, for instanc on the New York Stock Exchange have a bit more digging to do. For i necessary then to ask: "How did it g there?"—meaning through whic country was it routed to the U.S. Th answers in some cases vary continua ly: "I directed my bank in the Baham to make the purchase," changing year later to, "through my account Liechtenstein."

It was and is flight capital, and a though I am able to track only a tin portion of it, there are hundreds billions of such dollars in the hands foreign investors, and it is constantl on the move. By no means is all of invested in the U.S. (In fact, currentl a considerable portion of it is bein withdrawn, thanks to the recent de cline in U.S. interest rates.) The cour try, or currency, in which it is inves ed changes, sometimes abruptly. Safe ty is the principal goal of thes investors. Accumulating the mone wasn't easy. Safeguarding it now i their chief desire.

Due to the rapid fall in interes rates, Americans on an unpreceden ed scale are being confronted wit parallel pressures. Here, too, hundred of billions of dollars are involved. It i domestic flight capital. It seeks hig rates of return rather than safety.

In short, there are a lot of ver bright people now sitting on a lot o nervous money. Some of it will win up in odd places, as a result of a goo deal of devious maneuvering and clev er calculations. As other bright ideas besides Don's roll in, I'll be happy t pass them along. ■

Dr. Srully Blotnick is a practicing psychologist and author of Winning: The Psychology of Successful Investing.

onald Reagan has two chief concerns. econciling them is going to be very tough.

GUNS AND BUTTER AGAIN?

By Ashby Bladen

I BELIEVE that the time remaining in which we can avert a financial disaster is growing perilously short. A brief bout with high interest rates such as Mr. Volcker has given us will not solve the real problems. The nerican people are no longer saving l investing enough in the tools and chines that make our efforts more cient and productive. Instead we ve gone off on a borrowing spree l spent the proceeds on houses and sumer goods. Excessive borrowing l spending will always cause first ation, and then an increasing tency to financial crises.

t is important to remember that st businesses and people will bor- and spend excessively only if they encouraged to do so by govern- nt policies that make borrowing k safe, and saving and investing k foolish. Today, the U.S. govern- nt is bailing out several very large l overextended borrowers in a way t is certain to reinforce these bad its. Disaster is likely to be averted y if we elect this fall financially ponsible politicians to the White use, the House of Representatives l the Senate.

Now that the field of presidential efuls has been considerably nar- ed, it's time to take a look at how remaining candidates stand on issue of financial responsibility. Carter's and Mr. Kennedy's rec- s on that issue are clear-cut, and re is nothing that I can or need to . Mr. Reagan is a more interesting l difficult case. It does not appear that he has yet thought deeply, or has developed strong convictions, about national finance.

Franklin D. Roosevelt's basic concerns also were not financial, and if you go back and read his 1932 campaign speeches in the light of what he actually did as President, you would be likely to conclude that he had got hold of Mr. Hoover's scripts by mistake. If the analogy holds, Mr. Reagan's financial policies also must be considered unpredictable.

Mr. Reagan's main concerns, both of which I share, present him with a difficult problem of financial policy. The revulsion against the Vietnam war in the U.S. has caused us to let the predominance of military power we maintained during the first quarter century after World War II slip so badly that we can no longer ensure a safe, let alone a satisfactory, world political order. A major increase in military procurement is now absolutely essential. Reagan is clear on this. I suspect that the hardware is the least of our military establishment's problems, but it is the one that politicians can most easily be seen to be doing something about by their traditional methods of borrowing and spending. It also seems obvious that a substantial increase in pay for career service people is necessary, but it will also be expensive.

Defense is one of Reagan's primary concerns. He has another, equally commendable one, but reconciling the two is going to be difficult. The reconciliation he seems to favor could be extremely dangerous.

Reagan's second major concern is that the government now takes so much of our incomes, and tells us so thoroughly how to conduct our affairs, that we no longer have either adequate incentives or adequate freedom to maintain a productive and progressive economy. So, our national standard of living is beginning to slip badly. But how do you reduce the overall burden of government while simultaneously increasing spending on the military? One proposal for squaring this circle was suggested by the California economist, Arthur Laffer, and it provides the intellectual backbone of the Kemp-Roth bill.

The basic premise underlying Laffer's proposal is that income tax rates are so high, and constitute such a severe disincentive to productive efforts, that a 30% reduction in personal tax rates would rapidly cause a major increase in the output of real goods and services. The resulting increase in incomes would be so large that government revenue would actually rise with the lower tax rates. That would indeed most likely be the case over time, but over how much time? Arthur Laffer believes that it would take no more than three years. More cautious people feel that the major restructuring of habits and attitudes involved would take a good deal longer than that even with adequate incentives. In the meantime the government's deficit and the resulting inflation could be horrendous.

Simple economic formulas from the right are no more viable than simple economic formulas from the left.

Laffer's ideas do not represent a traditionally conservative way of thinking, even though they have been put to a conservative use. It is usually the political liberals and the social democrats who tell us that there is a simple solution to every problem. By contrast, conservatives have traditionally emphasized the necessity of facing up to this difficult and complex world as it really is rather than as we would wish it to be.

In my judgment, getting the burden of government off our backs in the face of our at least equally urgent need to restore an adequately effective military establishment, is going to be extraordinarily difficult. Easy, relatively painless answers are not available. It will require a judicious ordering of priorities that has been conspicuous by its absence in this country at least since the end of World War II. Simple formulas from the right are no more viable than simple formulas from the left. If Mr. Reagan is going to make Lafferite economics the keystone of his fiscal policies, then he should be required to justify it far more convincingly than has yet been done. ■

y Bladen is senior vice president-invest- ts for the Guardian Life Insurance Co. of rica, and author of How to Cope with the eloping Financial Crisis.

DON'T LET INFLATION BLOW IT!

Use your "Dollars and Sense."
Send for this free booklet, and information on how to obtain bulk copies.

George W. Hayden
The Advertising Council
825 Third Avenue, New York, N.Y. 10022

Please send me a free copy of "Dollars and Sense," and information for ordering bulk copies.

NAME _____

TITLE _____

ORGANIZATION _____

_____

STREET _____

CITY _____

STATE _____ ZIP _____

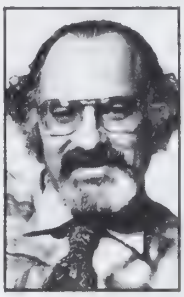
_____
SIGNATURE

Ad Council — *A public service message of The Advertising Council and The U.S. Departments of Agriculture, Commerce, Labor and Treasury. Presented by this magazine*

The guys who tried to buy the world wit Chinese paper are again on the move.

BUY YOUR STOCK? OR PAINT YOUR OFFICE?

By Martin T. Sosnoff



ALL THE STOCK repurchase programs by managements that were shelved when interest rates soared are getting dusted off and implemented now that 10% money is around the corner. The motivation for shrinking equity capitalizations is worth exploring because it underscores what the headmen think about their own paper. If they have the balance-sheet strength and continuous cash flow to keep buying in their stock, it is an effective pool that can kite stock prices substantially higher, and there is no fear of distribution by these poolsters.

It is only fitting that the same operators who issued billions of dollars worth of debentures, warrants and convertible preferreds during their acquisition binges ten years ago have retired much of this paper at discounts from original offering prices. It is also fitting that they should use the sizable cash flows from operations of acquired companies to reduce outstanding common shares, advance earning power and capture a rising percentage of personal control. One brassy operator who held his annual meeting in a museum aptly compared the prostrate Egyptian mummies in their glass cases with his original shareholders, who long ago had sold out as losers. They overpaid for their equity and couldn't stay the distance, while the new shareholders made nothing but money the past several years.

The drive to gobble up one's own equity is part of the same acquisitive instinct that pushed these operators toward buying the world with Ch nese paper. If the market allows the this reverse scam, so much the bett for them. There will be no buyi competition nor meaningful prem um paid for the public's stock. W ness the following events of the pa several months: Singleton of Tel dyne is offering 10% debenture $160 face value, maybe $130 mark value, for an as yet undetermine block of at least a million share Harvey Karp of Monogram Indu tries, who has already shrunk h equity in half, has just announce another program to buy back almo 10% of the present capitalizatio Saul Steinberg of Reliance Group als has squeezed his capitalization dow to 50% of previous years' levels.

Meanwhile, those silver foxes, M shulam Ricklis of Rapid-America and Carl Lindner of American Finar cial, have proposed programs to g private. After the normal course c stockholder lawsuits protesting th terms, they may get away with i Larry Tisch is busy bringing i Loews stock and warrants. All thes guys want is control, control an more control.

What do they see that we don see? Is it true that the poor wil inherit the earth? Hardly. First of al these budding geniuses know bette than anyone that the sum of thei parts is worth more than the whole— what their stock sells for in the ope market. The stock market, after all is a huge dumb beast. If money man agers say conglomerates should sel for 20 times earnings, they sell fo that. Right now, these goods sell clos er to 5 times earning power, and at substantial discount from realizabl asset value—what these companie could be disposed of for in privat transactions.

Believe me, if Ricklis, Singleton Steinberg, *et al.*, are offering premium for their stock to public shareholders the stock has to be worth more. Non of these gentlemen is renowned fo

Martin T. Sosnoff is chairman of Atalanta Capital Corp., New York, and the author of Humble on Wall Street.

incapacity to negotiate a transac-
n favorable to you-know-who. As
gin says: "You got to pick a pocket
two."

You should know these gentlemen
ve a substantial amount of their net
rth tied up in companies they con-
l. There is no absentee ownership
e. To a man, these are the maxi-
m leaders. Presidents for life.
ny of them keep a low profile,
ering clear of the press. Their annu-
eports generally mouth platitudes,
l the material is presented to hide
critical variables in performance
ner than highlight them. Some of
m have even formed holding com-
ies that control huge blocks of the
lerlying conglomerate's stock.
ntrol is everything.

These are the King Midases of the
rld. What turns them on is the
dedicated cash flow of the enter-
ses they control. It is not by acci-
t that Singleton, Tisch, Steinberg
l Lindner control multibillion-dol-
financial services empires. The
h flow of their fire and casualty
derwriting business throws off the
h to afford tentative probes to-
rd control of other companies or
buy-in option on their own stock.
gely, this is why they want to go
private as the market will let
m. If they can buy in their own
ck below its real world value and
reby garner all the cash flow for
mselves, what else is there left to
except discover oil in your own
kyard? The beauty of all those
npanies is that so little of their
rth is in fixed assets and so much
hard cash.

or the investor who has owned a
ce of the pie in these enterprises
by near-geniuses, who can be as
ty, avaricious and egotistical as
ssolini, it has been a bonanza.
cks such as Loews, Teledyne and
iance Group have outperformed
market since the mid-Seventies
seem destined to do well in the
hties, provided there is still some
ck around to buy.

ll these gentlemen know the mar-
never lets you get away with ev-
thing, that is, shrinking the equity
vn to nothing but entrepreneurial
ck, but they are busy proving that
can get away with a lot. Just re-
mber, when they are tendering for
ck, nobody says you have to give it
them. Time and again, it has paid
stay along for the ride. Manage-
nts who would rather buy up their
cks than paint their executive of-
s are for me. ■

HIGH TAX BRACKET INVESTORS:
CONSTANT $1 SHARE PRICE PLUS TAX-FREE INCOME.

The minimum investment is $20,000 for this new Fidelity money market fund. It is the first tax-free* fund to offer a constant $1 share price and immediate liquidity. (Moreover, the tax-free instruments owned by the Trust are exempt from Federal Reserve deposits for money funds.) These are the advantages:
1. Constant $1 Share Price.
2. Daily Tax-Free Income.
3. Check Redemption & Wire Liquidity.
If your tax bracket is 50% or higher call today for current yield and more facts.

CALL FREE
(800) 225-6190
In Mass. Call Collect (617) 523-1919

*A portion may be subject to state or local taxes.

FIDELITY 10
TAX-EXEMPT MONEY MARKET TRUST
Designed for accounts of $20,000 or more
P.O. Box 832, Dept. JB 062380
82 Devonshire St., Boston, Mass. 02103
For more complete information, including fees and expenses, please write or call for a prospectus. Read it carefully before you invest.

Name
Organization Tel.
Address
City State Zip
☐ Personal ☐ Professional Advisor ☐ Institutional

Tax-free income for high-bracket investors

If you're in the 50% tax bracket or above, you should definitely consider the high-quality Money Market Portfolio of Vanguard Municipal Bond Fund. It offers you tax-free income and capital stability:
- **Tax-Free Income. You'll receive daily income that's 100% exempt from Federal income taxes.***
- **Capital Stability. The Money Market Portfolio's extremely short maturity provides you with a $1.00 stable share value.**

As a Vanguard shareholder, you benefit from our very low operating costs—only 45/100 of 1% of total assets. Plus convenient daily liquidity and a free Checkwriting Service. There's never a sales charge or redemption fee. And the Fund is exempt from the Federal Reserve deposit rule for money funds.

For a current yield quotation, answers to your questions, and a Prospectus, mail coupon below or call toll-free today.

*Income may be subject to some state or local taxes

Vanguard MUNICIPAL BOND FUND
MONEY MARKET PORTFOLIO
Drummer's Lane, Valley Forge, Pennsylvania 19482

I would like more complete information including advisory fees, distribution charges, and other expenses. Please send me a Prospectus so I may read it carefully before I invest or send money.

Name
Address
City State Zip

CALL TOLL-FREE: (800) 523-7910
In Pennsylvania (800) 362-7688
27-FORN-204

A MEMBER OF THE Vanguard GROUP OF INVESTMENT COMPANIES

Forbes
Classified
appears in
the first
issue
of every
month.
Look for it
in the
upcoming
issue.
For rates
and other
information
on FORBES
CLASSIFIED
call
Sarah Madison
(212) 620-2371

**Forbes:
Capitalist
Tool**

Are you nostalgic for the good old 1950s? Then sneak a peek at the stock pages.

WHO SAYS HISTORY DOESN'T REPEAT?

By David Dreman

LOOKING at stock prices these days makes me feel like a boy again. Seriously. When I was a student reading old newspapers of the late 1940s and early 1950s, I was amazed by the values so abundant in the stock market, and felt a little cheated because the great days of investment coups all seemed to lie in the past.

In 1949 and 1950, the S&P's 400 traded between 6 and 7 times earnings and yielded 6½% to 8½%. Conventional wisdom, with the shadow of the Great Depression gloomily hanging over, said this was indeed where it should be. The higher postwar earnings would be impossible to sustain. But as we know, it wasn't impossible, earnings kept climbing and stocks soared over 500% during the following decade and a half.

This market reminds me much of that earlier one. Stocks, relative to their earnings and dividends, are again trading at or below their levels of 1949 or 1950. In fact, on an inflation-adjusted basis, the popular averages are well below their 1929 lows. True, it's a very different economy from that of the 1950s, but every market has its own particular sets of rationalizations for being where it is.

Today's wisdom argues that current prices are justified, because inflation overstates corporate earnings by steadily underdepreciating plant and equipment. But is this really correct? In recent years, two thorough studies have been made of the question, one in 1977 by the Brookings Institution and another in the *Financial Analysts Journal* in 1979 by Franco Modigliani, a past president of the American Economics Association, along with Richard Cohn. The answers in both studies—an emphatic *no*.

Modigliani and Cohn note that although investors continually adjust earnings downward to take into account swollen inventory profits and inadequate depreciation, they ignore the fact that in inflationary times borrowing will be repaid in cheaper dollars. The greater the rate of inflation, the less the payback in real terms. Further, a larger number of companies have converted from FIFO inventory accounting to LIFO, which knocks out the "swollen" inventory earnings. So, the two economists say, the accounting adjustments offset each other. Their conclusion: "Rationally valued, the level of the S&P's 500 at the end of 1977 should have been 200. Its actual value at that time was 100. Because of the inflation-induced errors, investors have systematically undervalued the stock market by 50%." Following their reasoning, with earnings up over 30% since then, the S&P's should have already touched 260. Yet it's only around 110.

What about another question: the competition of stocks with double-digit interest rates—after all, you can still get almost 11½% on an AAA bond today. For the average investor, though, it's not that simple. After 40% tax, 11½% becomes 6.9%. Even if inflation declines to 13%, your capital is still melting down at 6% a year. Not to mention, as has been sickeningly apparent to bondholders of late, that fixed-income securities now have a volatility that Ben Graham's generation may not have dreamed of.

By comparison, common stock earnings and dividends—the chief movers of prices over time—grew faster than the rate of inflation through the 1970s. Sure, earnings may be down substantially in any one year and more likely than not will nose-

David Dreman is president of Dreman Associates, Investment Counsel, New York, and author of Contrarian Investment Strategy *and* Psychology and the Stock Market.

in 1980, but corporations have onstrated an amazing ability to and even prosper in inflationary es. An ability not as yet recog- d by the marketplace.

his brings us back to the remark- similarities between this market that of the early 1950s. Just as ventional wisdom proved wrong 950, it may well prove so again by t-selling the ability of most corpo- ons to cope with inflation. True, a on runs the risk of wearing egg for hile if the market does go down her 10% or 20% as the bad news ls out. But if the stocks are as ıp as their fundamentals declare in ı lights, it won't matter a hoot if miss the bottom by these per- tages three or four years out. ıld any rational person risk miss- a possible profit of 100% or 200% ıuse he or she was afraid of look- silly for a time? The fact is that a d many sane investors are doing that.

hat then should you buy? The an- r, to me at least, is not much dif- nt than it was in the 1949-50 mar- Blue chips trading at low P/Es and viding good yields were neglected ı and are at least as neglected to- Some of the large banks look d—*Wells Fargo* earned $5.68 last , has shown a five-year growth rd of 18% and trades at a P/E of 5, ding 6.8%. *Bankers Trust* has a P/E ı of 4 times latest 12-months' ings, with income likely to be up ply this year, and yields 6.7%.

ell Transport yields 9.4% and es at a P/E of 3. *Sun Oil*, with over of its earnings coming from do- tic sources, is another big capital- ion stock warranting a good look.

ır the more speculative folk, try brokerage stocks. It's likely if the ket moves, trading volume will sharply—in tandem with soaring kerage profits. Three stocks that particularly interesting because of ı percentage of commissions rela- to their total revenues are *e*—no longer Hunted—50% com- sions; *A.G. Edwards*, 66% commis- s and *Shearson Loeb Rhoades*, 55%. stocks are hardly high-priced on st 12-months' earnings. Bache es at a P/E of 3 and yields 4.8%, . Edwards at a P/E of 5 and yields % and Shearson Loeb Rhoades at a of 4 and yields 2%.

ıre, the news is terrible. But do think stocks would be this cheap wasn't? No, I don't think today's need fear that the great financial ps are all in the past. ■

Why Red Cross CPR training is good for your business...

Take it from Andy Machak, automotive electrical plant foreman: "I'm alive today because a fellow employee was trained in CPR.

"Cardiopulmonary resuscitation training was one valuable asset that day. I got caught in some heavy machinery at the plant and blacked out.

"They told me later it took six guys to free me. I wasn't breathing. My heart stopped. One of the guys, Don Guarino, said, 'I gotta try anyway.'

"Thanks to his CPR training, he revived me – saved my life.

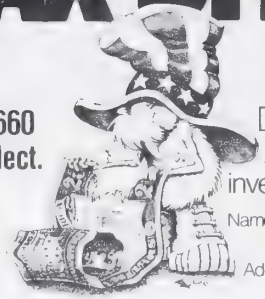
"Since that happened I realize that no employee is immune from heart attacks or accidents, and a few CPR-trained employees – maybe one for every 50 people – can make the difference between life and death."

Call your Red Cross Chapter and find out about CPR training for your plant or office. CPR training is a valuable asset for any business.

It takes steady, trained hands to perform CPR

American Red Cross

SHRINK YOUR TAX BITE.



Call free 1-800-638-5660 or (301) 547-2136 collect.

A no-load municipal bond fund with these advantages:

☐ **Tax Free.**
No income tax for the IRS*.

☐ **Immediate Liquidity.**
Call free or write a check.

☐ **Low Minimum.**
As little as $1,000 initial investment.

Name_____

Address_____

City_____ State_____ Zip

For more complete information, including management fee and other charges and expenses, obtain a prospectus. Read it carefully before you invest or send money. Income may be subject to state or local taxes.

ROWE PRICE TAX-FREE INCOME FUND, INC.

100 E. Pratt St. Baltimore, Maryland 21202

A6

Forbes

announces its
second annual special
advertising supplement on

INTERNATIONAL FINANCE & TRADE

This supplement will be
authored by the former
Secretary of the Treasury
William E. Simon
Senior Consultant
Blyth Eastman Paine Webber Incorporated

Mr. Simon will discuss
"Refinancing America,
a National Agenda"

For further
information contact:
Duncan McMillan
Director,
Special Projects
FORBES Magazine
60 Fifth Avenue
New York, NY 10011
(212) 620-2224
or your local Forbes
representative

to be published in the
September 15, 1980 issue
closing date: July 21, 1980

ANOTHER CAPITALIST TOOL

ompanies covered in news stories and by the columnists in this issue.

ands 150
oadcasting 150
nancial 158
eritage Publishing 26
el Group 154
43, 132
20
nfield 122
161
rica 92, 150
treal 96
York 150
t 92, 150, 161
20
ne of Canada 134
gy 62
25
42
17, 150
d 109, 145
attan 92, 150
ew York 92
em 156
nds 17
38
as & Electric 148
122
92
ranee, S.A. 137
142
s Systems 63, 121
el 140
Engineering 56
Illinois 92
42
gyo (Japan) 92
pan) 38
pment 43
35
161
62
e 53
ds 122
102
38
p 145

First Natl State Bancorp 109
Ford Motor 36, 38
Fuji Bank (Japan) 92
Gartner Group 6, 41
Gemco 104
General DataComm 132
General Dynamics 25
General Instrument 20, 150
GM 37, 38
General Telephone & Electronics 43, 134, 140
Gibraltar Financial 53
Gulf & Western 17
Gulf Oil 121
Harlequin Enterprises Ltd (Canada) 17
Hercules 42
Hitachi 49
Holiday Inns 109
Honeywell 42
Houghton Mifflin 26
E.F. Hutton 35
Icahn & Co 27
Intel 43, 51
IBM 6, 41, 49, 132
International Harvester 142
Iowa Power & Light 148
Irving Trust 92, 150
Itel 49, 109
K mart 104, 124
Kemper 52
Litton Inds 138
Loews 158
Long Island Lighting 156
Lumbermens Mutual Casualty 53
McDonald's 124
McDonnell Douglas 25
MGM 145
Mann Mobilia (W. Ger.) 104
Massachusetts Financial Service 34
Midlantic Banks 104
Minolta 42
Mobil Oil 121
Mohawk Data Sciences 42
Monogram Inds 158
Monsanto 156
J.P. Morgan 150
Motorola 49

NCR 42
National Semiconductor 49
Northwestern Mutual Life Mtg 53
Oklahoma Gas & Electric 61
Omark Inds 10
Pace Co, Consultants & Engineers 61
Panhandle Eastern Pipe Line 26, 62
Peabody Coal 63
Pillsbury 124
Philip Morris 150
T. Rowe Price Assocs 34
Public Service Co (Okla.) 61
Public Service Electric & Gas 148
Quick & Reilly 27
Rapid-American 158
Reliance Group 158
Republic New York 150
R.J. Reynolds 150
Sears, Roebuck 124
Shearson Loeb Rhoades 161
Shell Oil 122
Shell Transport 161
Southland 122
Sperry Rand 42
Standard & Poor's 17
Standard Coosa Thatcher 76
Standard Oil (Calif.) 121
Subaru 38
Sun Oil 161
Suzuki 38
Target 104
Teledyne 158
Texas Instruments 44, 49
Texas Power & Light 148
Thyssen Rheinstahl Technik (W. Ger.) 56
Toyota 37
20th-Century Fox 17
Tymshare 43
Union Carbide 156
U.S. Steel 10
Volkswagen 38
Walco Natl 76
Wells Fargo 161
Werkauft (W. Ger.) 104
Weyerhaeuser 10
Xerox 43

Do you know anybody who is somebody in business who does not read Forbes Magazine?

Forbes: Capitalist Tool

Thoughts
on the Business of Life

It is seldom that an American retires from business to enjoy his fortune in comfort. He works because he has always worked, and knows no other way.
THOMAS NICHOLS

Human beings today are attacked by so-called manager diseases, high blood pressure, renal atrophy, gastric ulcers and torturing neuroses: they succumb to barbarism because they have no more time for cultural interests.
KONRAD LORENZ

With useless endeavor, forever, forever, is Sisyphus rolling his stone up the mountain!
HENRY WADSWORTH LONGFELLOW

Sisyphus was basically a happy man.
ALBERT CAMUS

It is questionable if all the mechanical inventions yet made have lightened the day's toil of any human being.
JOHN STUART MILL

Give me the luxuries of life and I will willingly do without the necessities.
FRANK LLOYD WRIGHT

If you don't learn to laugh at trouble, you won't have anything to laugh at when you grow old.
ED HOWE

Nothing in this life is endless.
PHILIP ROTH

Don't be afraid to enjoy the stress of a full life nor too naïve to think you can do so without some intelligent thinking and planning. Man should not try to avoid stress any more than he would shun food, love or exercise.
HANS SELYE

Every man carrying heavy responsibilities should take a genuine vacation, throw off the cares of daily tasks at least once a year—better still, twice—and leave all business cares behind. The men at the top who enjoy life most are those who have remained boys at heart, who have cultivated a sense of humor, who have learned to like people and to get along harmoniously, pleasantly, with them.
B.C. FORBES

It is almost as important to know what is not serious as to know what is.
JOHN KENNETH GALBRAITH

Not a shred of evidence exists in favor of the idea that life is serious.
BRENDAN GILL

If you love your work, vacations are an intrusion.
FRANK TYGER

If you would succeed in life, you must be solemn, solemn as an ass. All great monuments are built over solemn asses.
THOMAS CORWIN

In every real man a child is hidden that wants to play.
FRIEDRICH NIETZSCHE

More than 3,000 "Thoughts," indexed by author and subject, are available in a 574-page book at $11.95. Send check and order to: Forbes Inc., 60 Fifth Ave., New York, N.Y. 10011. Add appropriate sales tax on New York State orders.

Plenty of people miss their share of happiness, not because they never found it, but because they didn't stop to enjoy it.
WILLIAM FEATHER

Ennui is the desire of activity without the fit means of gratifying the de
GEORGE BANCROFT

The idle man does not kn what it is to enjoy rest.
JOHN LUBBOCK

A good holiday is one spen among people whose notio time are vaguer than yours
J.B. PRIESTLEY

Devote some time each day mental and physical inactiv
JOSEPH H. PECK

A Text . . .

The eternal God is thy refuge, and underneath the everlasting arms.
DEUTERONOMY 33:27

Sent in by Gertrude S. Schnellha dondo, Wash. What's your favori The Forbes Scrapbook of Thought Business of Life is presented to se texts used.

I hate all sports as rabidly as a person who likes sports hates common sense.
H.L. MENCKEN

Reading is to the mind what exercise is to the body.
RICHARD STEELE

In business as in baseball, the best way to protect your lead is by making it bigger.
ARNOLD GLASOW

"'Less is more' seemed for a long time an exclusive pre-occupation of European car-makers...born of the necessities of life here. Suddenly 'less is more' has become the rallying cry of car-makers all over the world—even in America."

Pierre Tiberghien
Director, Automobile Research and Development/Régie Renault

ierre Tiberghien has spent all of his 9-year working career in some phase f engineering at Renault, the last five ears as head of Renault's Research and Development Center. Despite his felong association with things echanical and automotive, questions bout horsepower, CX factors, pre-ous metal shortages, front-wheel drive nd inevitably, fuel economy, more ften than not elicit answers that have do with people and their ever-hanging needs

◊

hough it's apparent Tiberghien has hought a lot about cars, it's even more pparent that what really fires him is e car's multi-leveled relationship to eople and to the world. His talk is eppered with phrases—"social needs," olyvalent vehicles," "cars as an invad-g phenomenon in everyday life"—at testify to the fact that his head and is heart are very close together.

◊

hen Tiberghien was graduated from e prestigious Ecole Centrale thirty ars ago, European car-makers were sponding to the immediate post-war eds of Europe. "Affordability" was the imary consideration; with the evolu-n of post-war Europe, European eds also evolved. The "two-box" con-pt is a case in point. Basic car config-ation had traditionally been "three-x": motor "box" plus passenger "box" us luggage "box." In the 60's, Renault gineers, responding to the changes French and European life, began oneer work on a "two-box" configura-n. The passenger and luggage "boxes" ere combined into one adjustable ea; this new configuration—soon to popularly called the "hatchback"—volutionized basic car design. Here

was a car equal to the rigors of the city but, come Friday, ready to serve as a kind of mini station wagon. *Faire plus avec moins,* indeed

◊

"To do 'more with less' you must innovate not only on the object," says Tiberghien, "but also on the public's perception of an object. The 'something new' that you come up with can be shocking to people's expectations But only by taking that risk can you succeed. The key is people's needs, not their expectations. Their expectations are based on the past; their needs, on the present and the future"

◊

One of seven children, Tiberghien himself is the father of five, ranging in age from 10 to 23 years old. He is also a recent grandfather. Tiberghien and his wife live in a modern Paris apartment with a varying number of their brood Long week-ends can find them in the small village of Muids in Normandy

Quite a different holiday took place last summer when all seven of the Tiberghiens motored through the American West. Not only was it a unique vacation, it also enabled Tiberghien to experience American driving at first hand. He came away convinced that Renault cars uniquely answer many present-day U.S. driving needs

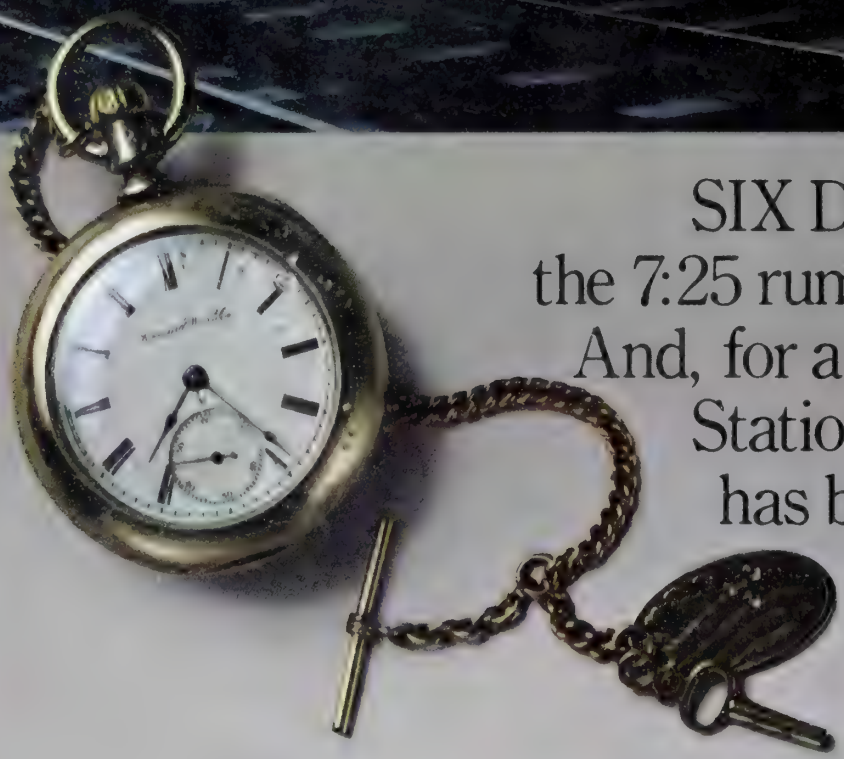
◊

The car is a phenomenon that has shaped the look and manner of the 20th century just as bronze tools and sailing ships shaped other eras. The other great 20th century phenomenon is the apparent shrinkage of the world some occurrence in what once would have been a distant, exotic place now affects us right in our own backyard garage. Tiberghien is very sensitive to the new role of the car—and what a car should be—in this new "small" world "We must be conscious of social responsibilities... to make cars that are adapted to man's needs... that include safety factors beyond the legislated required ones... cars that cautiously husband the use of increasingly more precious metals and that are economy-intensive. We reduce and reduce and then come up with something different that, surprisingly, is something 'more.'"

◊

We welcome your comments, questions or thoughts about any of the above Write to: Renault, U.S.A., Inc., Corporate Group, Englewood Cliffs, N.J. 07632

RENAULT
the car company of France



SIX DAYS a week,
the 7:25 rumbles into Arisaig.
And, for a quarter of a century
Stationmaster Macdonald
has been there to meet it.
At 7:24.

The good things in life
stay that way.
Dewar's® never varies.

Authentic.
The Dewar Highlander®

BLENDED SCOTCH WHISKY • 86.8 PROOF • © 1980 SCHENLEY IMPORTS CO., N.Y., N.Y.

Special Report

The 100 largest U.S. multinationals

The 100 largest foreign investors

The 100 largest foreign companies

, 1980

TWO DOLLARS

Forbes

GERMAN INDUSTRY DRANG NACH U.S.A.

20 0831

21573353 AP3 NOV08 82
BURLINGAME PUB LIB
BURLINGAME CA 94010

A23 1722-1
RCA improves color TV with an electronic "fine tooth comb" that separates color from detail. And enhances both.
The Dynamic Detail Processor – a tiny solid state comb filter device with a computer-like "memory" – is producing sharper and clearer color TV pictures than ever before in RCA Limited Edition ColorTrak TV sets. By electronically separating the signals responsible for color and picture detail, the comb filter allows *both* signals to be fully processed by the set. As a result, minute details take on remarkable new definition and clarity, while color streaking and crawling edges (like those on checkered sport jackets) are virtually eliminated. RCA color TV sets are the first to have this solid state marvel of technology designed into them.
The Dynamic Detail Processor is a product of RCA Research – the kind of dedicated research that has been a tradition at RCA for over sixty years. Today, many years after Nipper started listening to His Master's Voice, research and development of electronic products are funded at the highest levels in our company's history. Our commitment is as it has always been, to the advancement of technology – to the creation of imaginative, but practical, products that expand the human horizon. ©1980 RCA Corporation
RCA
A tradition on the move.

Lose Citicorp Travelers Checks in Maputo and you're not up the Zambezi without a paddle.

BURLINGAME
JUN 2 2 1980
LIBRARY

Just contact our Maputo refund center and we'll have you back on safari before you know it.

If refunds are this easy here, imagine how easy they are in places you *have* heard of.

In all, we have more than 40,000 locations here and abroad where you can get fast refunds (with emergency funds in the U.S. through 8,100 Western Union offices, many of them open 24 hours a day, 365 days a year). We even have our own Citibanks in 64 countries.

Where can you spend Citicorp Travelers Checks? Where *can't* you? They're as welcome as money in literally millions of hotels, restaurants and stores around the world.

Citicorp Travelers Checks —backed by America's leading banking institution worldwide.

Citicorp. Travel the world with us.

CITICORP®
TRAVELERS CHECKS

NOTE: Travelers checks under our old name, First National City, will continue to be accepted indefinitely.

©, CITICORP

Forbes

July 7, 1980
Volume 126, Number 1

82

36

38

40

Features

Bankruptcy: *Caveat Creditor.* "Why, people get right down and cry when they realize what we can do for them," says Los Angeles lawyer Hugh Slate. Under the new bankruptcy law passed by Congress last fall, walking away from your obligations has never been so attractive. 35

Companies: *Pullman's Rolling Stock.* It's neck-deep in management and legal problems. So why is the stock running up those tremendous volumes? 36

Companies: *Sandy McDonnell's Pride.* A cold-minded consultant might advise McDonnell Douglas to get out of commercial aircraft and concentrate on its large and superbly successful military aircraft business and its profitable and growing missiles and space division. But business isn't always run by the balance sheet. 38

Companies: *Xerox? A Turnaround?* The legendary success story of a decade ago made a couple of monumental mistakes in the Seventies and paid the price. It will be hard to retrieve all that lost market share. But the important thing is that it has regained its momentum and now has a strong foothold in some important new markets. 40

Investments: *Ruff's Cut.* He gets it by scaring you, then selling you. 42

Companies: *The Crazy Quilt.* Chemicals, booze, titanium and insurance? National Distillers' mix of businesses may not make much sense. But Drummond Bell makes it make money. 44

Companies: *Happiness In Your Own Backyard.* PSA was the sensation of the airways in the Sixties, a malnourished regional airline that tried to be a conglomerate in the Seventies. Now, a combination of luck and smart moves has turned it into a thriving enterprise again. 46

Banking: *Letting George Do It.* The Eccles in the histo books is Marriner. All those years he was in Washingto though, brother George was building one of the nation finest regional bank holding companies. .....

The Up-And-Comers: *Munger World.* Do you need Disne scale cash flow to start an amusement park? Does it have be in Florida or California? Not necessarily: Look at Bo Munger's Cedar Point park in Sandusky, Ohio. .....

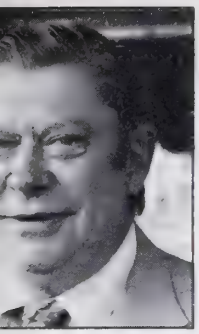
The Streetwalker: *Merely Flesh Wounds.* The stock mark apparently hasn't noticed, but the S&Ls seem to hav escaped the monetary ambush relatively unscathed and a on the road back. 6

Companies: *The Muddy Tracker.* Racetrack terms soun out of place around SAFECO's staid headquarters. Bu there's a certain appropriateness to the way it gets throug the rough times. 6

Faces Behind The Figures

Gerald R. Ford, *Director* 7
Marvin T. Runyon, *Ex-Ford Motor Co.* 7
Stephen G. Shank, *Tonka Corp.* 7
Charles M. Pigott, *PACCAR Inc.* 7
Willie Nelson, *Entertainer* 7
Lawrence Brainard, *Bankers Trust* 7
Frederick J. Ross, *Raybestos-Manhattan* 7
Lester C. Thurow, *MIT* 7

Observations: *A Long Recession?* Ashby Bladen thinks not but that the U.S. standard of living will suffer. 8



113

116

126

r Story: *Drang Nach U.S.A.* "In ten years Germany t be a socialist country," says one thoughtful and ulate German. "America has its problems, but it's e the future of capitalism lies." That's a major reason nan money, private and corporate alike, is pouring the U.S. at a fast and growing clip; why German panies accounted for one-third of all foreign takeovers, expansions and startups in the first quarter; and why even small and medium-size German companies have ash and inclination to cross the Atlantic. 82

Special Report
Spotlight on International Business

100 Largest Foreign Investors in the U.S. 90

100 Largest Foreign Companies 99

100 Largest U.S. Multinationals 102

stments: *You Can Still Get 10%.* Sure there's greater but all junk bonds are not trash. 110

Money Men: *A Model That Works.* One bond man- who wasn't left trembling and whipsawed by recent ts was Fidelity Bank's Lee Minton. 113

vision: *Deus Ex Machina.* Look what modern tech- gy is doing to that Old-Time Religion. 116

: *The Price Of Freedom.* The Spanish are learning it. hey willing to pay it? 126

The Economy: *The Trough.* The current recession won't end until the huge personal and corporate debt load is worked off. When will that be? Some guides. 135

Columnists

Ben Weberman 136
Heinz H. Biel 138
Stanley W. Angrist 140
John Train 142
Srully Blotnick 144
Ann C. Brown 146

Departments

Side Lines 6
Trends 8
Follow-Through 16
Flashbacks 20
Readers Say 22
Fact and Comment 27
Other Comments 30
Editorial Index 149
Thoughts 152

Photos: pp. 6, 41, 76 left, 84 right, 112, 117 bottom, 124, Bill Kelly; p. 8, UPI; p. 18, Tommy Giles; pp. 36, 76, Jim Caccavo; p. 37 top, Wide World; p. 37 bottom, Wm. Saury/NY Times; pp. 38, 39, T. Mike Fletcher; p. 43, Susan Lombardo; p. 45, Patrick Pagnano; p. 46, Dick Tolbert; p. 49, Tim Kelly/Black Star; pp. 54, 56, Frank Aleksandrowitz; pp. 64, 74, Doug Wilson/Black Star; p. 84 left, Leviton/Atlanta; pp. 85 top, 86 right, 117 top, Steve Murray; p. 86 left, Bernie Cleff; p. 116, Les Wollam; pp. 126, 132, Gamma Liaison; p. 127, Pavlovsky/Sygma.

Charts: pp. 35, 82, 85 bottom, 86 top, 135, Andrew Christie

Cover Illustration: Michael Garland

Forbes (ISSN 0015 6914) is published biweekly by Forbes Inc., 60 Fifth Ave., New York, N.Y. 10011. Second-class postage paid at New York, N.Y. and at additional mailing offices. Subscription $27 a year, U.S.A. Postmaster: Send address changes to Forbes, 60 Fifth Ave., New York, N.Y. 10011.

Copyright © 1980 Forbes Inc

Bell helping you to manage your business better #2

DON'T TURN YOUR BACK ON WATS BECAUSE YOU THINK IT'S ONLY FOR THE BIGGIES.

If you think WATS lines are only for the big boys, it's time to take another look. Because you don't have to be one of the Fortune 500 to make WATS a profitable addition to your business. If you deal with out-of-town customers, WATS could be for you.

WATS works because you can choose a Long Distance calling area as close as your own state and those that adjoin it. And as your business area grows, you can add contiguous WATS calling areas to coincide with the locations of your customers and sources.

What's WATS

WATS stands for Wide Area Telecommunications Service. It's a way to tailor Long Distance to your special needs. You buy a specific area, and a specific number of hours, at a monthly fee. You can use those hours whenever you choose. Within that area, and within those hours, you make as many Long Distance calls as you wish.

This means you can limit your Long Distance costs without limiting your Long Distance calls.

Why WATS

Imagine the ways a WATS line can power-pack your business effort.

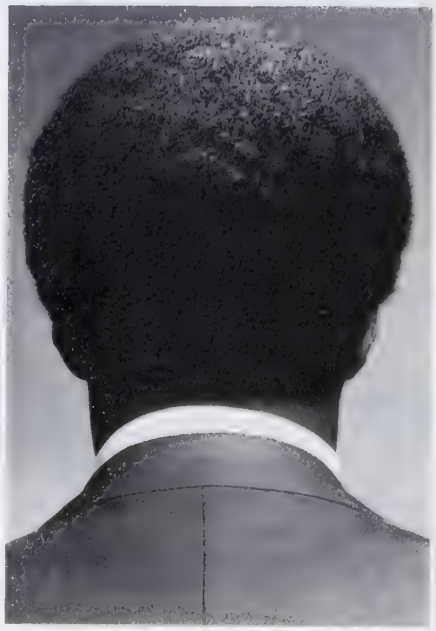
WATS helps you beef up business to those tempting smaller accounts that might otherwise be too far out of the way. Sell 'em by phone, and save costly travel expenses!

How about collecting overdue accounts? Use WATS to improve your cash flow and operating expense positions. Unlimited phone contact also helps you avoid the high costs of inventory outages, and it's a boon to your customer service efforts.

Can WATS help your business? You bet it can!

Choose your area of coverage

It's simple. If your company's market takes in the region surrounding your home state, make that your



WATS calling area. Is your market more extensive? Then add additional, contiguous calling areas until your market coverage is complete.

Are you trying to expand your market? Don't plod blindly into that field. Make phone forays first. We can add adjoining regions into your WATS calling area any time, helping you to eliminate a lot of expense in a new business drive.

The big boys might need a calling area that includes all fifty states. You can choose the states that suit your business best!

Choose the time volume you need

You can also choose *when* to call!

If your needs are small, select our WATS 10 (Measured Time) plan: up to 10 hours of calling per month. Want more? Then WATS 240 (Full Business Day) is for you: up to 240 hours of unlimited calling per month. Need overtime? You've got it! And it's billed at a lower rate than the monthly charge.

Anything else? There's the usual one-time installation charge. And that's the whole ball of wax.

30-day trial

Want to test the WATS waters before you jump? Give WATS a 30-day try. Buy a month of WATS, and see for yourself just how much it will help your business. All types of businesses use WATS to solve all types of business problems. Let a WATS line help you!

Here's more help

In addition to WATS, Bell has all these programs to help you manage your business better.

#1 800 Service. Generate direct response leads using the toll-free 800 number. Improve service, speed orders to wholesalers, retailers. Expand market area, answer consumer questions, conduct product research, improve company image.

#3 Remote Call Forwarding (RCF). Customers dial a local number, reach you in a distant city. You have a local "presence" without the expense of a local office. Lets you open new markets, test out those new markets and give better service.

#4 Selling Smaller Accounts. Instead of visiting distant accounts, sell by Long Distance. Reduce the cost of making the sale. Sell more accounts. Reach customers at the point where lowered inventory prompts them to buy.

#5 Improving Credit Management. It's the key to cash flow—programs that expand your market, develop customers, build profits. Helps you check the customer's ability to pay, calculate marginal risk, and collect overdue accounts.

#6 Opening New Accounts. A tested, practical way to do it by Long Distance. Total program covers everything from building a list and screening a prospect's interest to closing the sale.

Bell System

CALL 800-821-2121,

Ext. 957.

toll free anywhere in the contiguous United States. In Missouri, call 800-892-2121, Ext. 957.

A BELL BUSINESS EXPERT WILL TALK TO YOU. You can expect to have a relaxed, friendly talk. You'll discover whether WATS can be a practical, profitable plus for your business. To help you, we'll need information. So we'll ask questions, like the ones listed below. No surprises, nothing you won't have the answer to. You'll find the discussion thoroughly enlightening and enjoyable.

"Hey! Tell me how a WATS line can help me manage my business better."

Q. What is your product or service?
Q. How many accounts do you sell or service?
Q. What geographic area do they cover?
Q. How many locations does your business have?
Q. How many sales people do you have?

Q. What is your primary method of customer contact?

Q. Do you use services other than your local lines, such as RCF?
Q. How do you test or expand market areas?
Q. On the average, how many accounts fall past due each month?
Q. Do you have plans to meet specific business objectives—such as increasing market share?

OR WRITE.

Fill in below or attach your business card and mail.

Bell System Sales Center
811 Main Street, P.O. Box 549
Kansas City, Missouri 64141

Yes, I am interested. Tell me more about:
☐ #2 WATS Lines For Small and Medium Businesses
I would also like to know more about the subjects I've checked below.
☐ #1 800 Service
☐ #3 Remote Call Forwarding
☐ #4 Selling Smaller Accounts
☐ #5 Improving Credit Management
☐ #6 Opening New Accounts

Name_____
Title_____
Company_____
Address_____
City_____ State_____ Zip_____
Area Code_____ Business Phone_____

800-821-2121, Ext. 957

To call toll free, dial 800-821-2121, Ext. 957, anywhere in the contiguous United States. In Missouri, call 800-892-2121, Ext. 957

Bell System

957 006

Forbes

Editor
James W. Michaels

Managing Editor
Sheldon Zalaznick

Executive Editors: Dero A. Saunders, James Cook
Economics Editor: Ben Weberman
Art Director: Everett Halvorsen
Senior Editors: Ruth M. Greenberg, Robert J. Flaherty, Geoffrey Smith, Howard Rudnitsky, Jefferson Grigsby, John A. Conway, Stanley H. Brown, Malcolm S. Forbes Jr., Paul Gibson
Contributing Editors: Richard Phalon, Clothield Spencer, Norman Gall
Associate Editors: Jean A. Briggs, Subrata N. Chakravarty, Thomas C. O'Donnell
Staff Writers: Harold Seneker, James O'Hanlon, Allan Sloan, Carol E. Curtis, Stanley Ginsberg
Reporters: Betty Franklin, Richard Greene, Steven Flax, Thomas Jaffe
Reporter-Researchers: Flora S.H. Ting, Chief; Gerald Odening, Linda Gasparello, Christine Miles, Alyssa Lappen, Jane Carmichael, Thomas Baker, Jeff Blyskal, Anne Bagamery, Tom Chesser, Newcomb Stillwell
Washington Bureau: Jerry Flint, Manager; Beth Brophy, Ann Hughey
West Coast Bureau: John Merwin, Manager; Kathleen K. Wiegner, Michael Kolbenschlag, Nick Galluccio, Ellen Paris, William Harris
Southwestern Bureau: Phyllis Berman, Manager; Tedd A. Cohen, Toni L. Mack
Midwestern Bureau: Bob Tamarkin, Manager; Lisa Gross
European Bureau: Lawrence Minard, Manager; Barbara Ellis, Maurice Barnfather
Copy Department: Donald E. Zipperer, Chief; Marlene Mandel, Deputy; Dolores Guilhot, Jane Lashaw
Art Department: Roger Zapke, Ronda Kass, Assistant Directors; Nikki Frost, Photo Editor; Philip Gefter, Assistant Photo Editor
Columnists: Heinz H. Biel, Thomas P. Murphy, Stanley W. Angrist, John Train, Martin T. Sosnoff
Director of Production: John J. Romeo; Robert M. Rosengarten, Edward B. Morgan, Robert D. McDaniel, Assistants
Advertising Production: Patricia Deckelnick
Photocomposition: James Cianelli, Manager; Karen Heuler, Assistant; Lynn Gaspar, Johnnie English, Arthur Petz
Information Services: Robert M. Sterenson, Manager
Library: Dolores A. Latamiotis, Chief; Clarita Jones, Santiago Alvarado, Gloria Katz
Statistics: Donald E. Popp, Editor; Maria M. Latorraca, Associate Editor; Edward Sakalian, Ann Oliver, Paul Bornstein, Tom Kue, Steve Kichen

President and Editor-in-Chief
Malcolm S. Forbes

Publisher
James J. Dunn

Executive Vice President
Leonard H. Yablon

Vice President and Secretary: Malcolm S. Forbes Jr
Vice President and Controller: Joel B. Redler
Vice President and Treasurer: Leonard Greenberg
Vice President and Assistant Publisher: Christopher Forbes
Director of Advertising: Stephen G. Nicoll
Director of Corporate Communications: Wm. Donald Garson
Director of Circulation: John M. Thornton
Director EDP: Jerome Hoffman
Advertising Representatives:
New York: 60 Fifth Ave., 10011, Peter M. Schoff, Manager; (212) 620-2232 Arnold J. Prives, Fin'l Adv. Mgr.; George C. Clissold; Donald W. MacDonald; G. Croft Henry; John Wilson; Richard Calkins; Ellen S. Dweck, Kevin D. Miller; James W. LaCirignola, Dir. Int'l Adv.; H. Duncan McMillan, Dir. Spec. Proj.; Thomas G. Petersen, Co-Dir. Spec. Proj.
Atlanta: 550 Pharr Rd. N.E., 30305, Charles S. Thorn Jr., Manager; (404) 233-2457
Chicago: 435 N. Michigan Ave., 60611, Richard W. Reynolds, Manager; (312) 467-5000 James H. Mallon
Cleveland: Suite 501, The Leader Building, 44114, James B. Norton, Manager (216) 771-1271
Dallas: 4681 First National Bank Building, 75202, Fred H. Wellington, Manager; (214) 742-7001 William R. Arnold, Co-Dir. Spec. Proj.
Detroit: 3331 West Big Beaver Rd., Troy, Mich. 48084, Richard E. Forbes, Manager; (313) 643-0105
Los Angeles: 5900 Wilshire Blvd., 90036, Craig E. Miller, Manager; (213) 931-8131
San Francisco: 625 Market St., 94105, John B. Cunningham, Manager; (415) 788-2366
Classified: Sarah Madison [illegible] 60 Fifth Ave., New York, N.Y. 10011

Mgr. Subscription Service: T.M. York
60 Fifth Ave., New York, N.Y. 10011

PAID CIRCULATION OVER 680,000

FOUNDED 1917 BY B.C. FORBES (1880-1954)

Side Lines

German connections

Associate Editor Tom O'Donnell and Reporter-Researcher Christine Miles stopped counting—once they got past 30—the number of U.S.-based German businessmen, international money managers and government officials they interviewed for the cover story in this issue. For comparisons and contrasts, a clutch of German businessmen working in the U.K., too, were interviewed by reporter Barbara Ellis of the London bureau. Putting it all together, O'Donnell says, was a frustrating workout: "The Germans have the strongest penchant for secrecy of all the foreign businessmen I've encountered." But it was a rewarding workout as well; O'Donnell came away agreeing with some experts he interviewed who are convinced, as one of them put it, "The Germans will become the dominant group of foreign investors in the U.S. in the Eighties."

This is O'Donnell's first cover story assignment for Forbes. He joined the magazine last month after three and a half years as money and banking editor of *Business Week*. Before that he was a political reporter at the Hartford *Times* and feature writer at the San Francisco *Chronicle*. O'Donnell, 34, is a graduate of Brown University and holds a master's degree in journalism from the University of California (Berkeley) and an M.B.A. from the University of Connecticut.

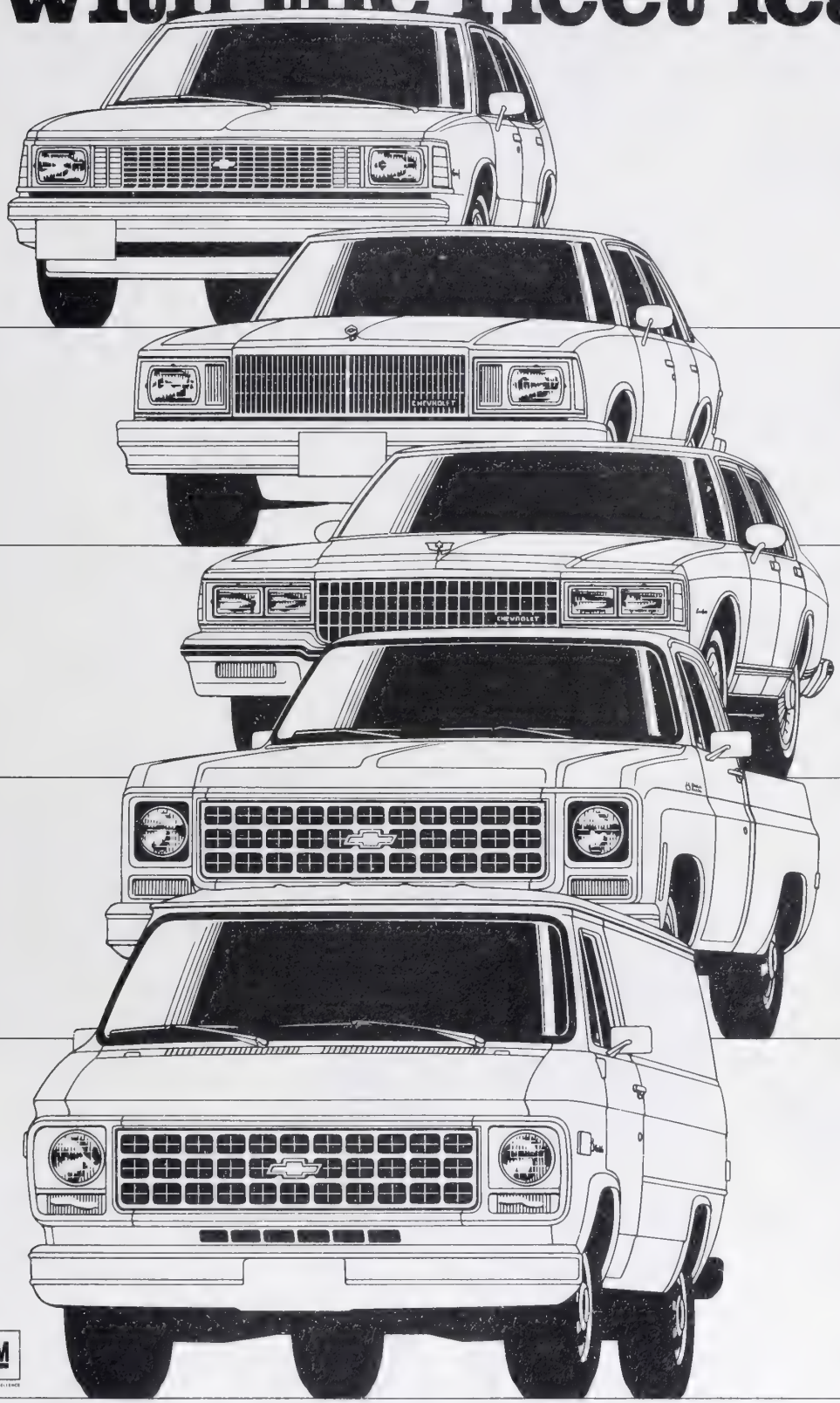
Right behind O'Donnell's story are three tables that help put the German presence in perspective. A total of 375 companies are ranked in these tables: the 100 largest foreign investors in the U.S., the 100 largest U.S. multinati and the 100 largest foreign compa (plus 25 runners-up in each category order to gather data and verify t rankings Forbes queried some 1 companies both here and abroad.

Statistical Editor Don Popp and a ciate Ann Oliver began research for project in January. The basic repo tool was a questionnaire mailed to companies. As deadlines passed, the phone and Telex follow-ups began. the least of the complications for staff was the need to unravel differe in accounting procedures from cou to country and to pin down curre exchange rates. Members of the Fo family (and blood relations as well) v drafted to translate annual report f notes from foreign languages.

But the biggest stumbling block o remains the traditional reluctance many foreign-owned businesses to re financial details about their operati Over the years this reluctance has b yielding, but by and large U.S. stand for disclosure are not yet the norm. secretary to a company's chief finan officer told a Forbes staffer that would be only too happy to give For an estimate of 1979 sales, but, as she it, "Do you really want to see me ha ing out the window?" In the end, a the start, that company refused to vulge the figure. As in several o cases, the Forbes estimate used is result of hard, persistent repor among competitors, bankers and top curities analysts.

Tom O'Donnell (seated) *and* (l. to r.) *Ed Sakalian, Ann Oliver, Barbara Abramowitz, An Bagamery, Paul Bornstein, Maria Latorraca, Don Popp, Tom Jaffe, Chris Miles*

You can go a long way with the fleet leader.



Citation. 24 EPA est. MPG, 38 hwy. est.*
Especially impressive when you consider Citation is a *mid-size* car. And comes with the lowest Manufacturer's Suggested Retail Price of any front-wheel-drive mid-size car.

Malibu. 19 EPA est. MPG, 26 hwy. est.*
And no mid-size 4-door sedan gives you more room inside than Chevy Malibu. Which helps explain why no mid-size 4-door sedan *sold* as well as Chevy Malibu in '79.

Chevrolet. 18 EPA est. MPG, 26 hwy. est.*
No full-size car beats Chevrolet Caprice and Impala's EPA gas mileage estimate. And none match their highway estimate with standard powertrain. We might also add that none match them in sales, either.

Chevy Pickup. 18 EPA est. MPG, 24 hwy. est.*
Chevy C10 comes with Massive Girder Beam suspension and tough double-wall construction. And, except in California, an unbeatable EPA estimated MPG for a 1/2-ton pickup truck with standard transmission.

Chevy Van. 17 EPA est. MPG, 24 hwy. est.*
Chevy G10's EPA est. 17 MPG is unbeatable in a half-ton van with standard transmission. And when it comes to maximum payload, Chevy's most popular van surpasses its nearest sales competitor's most popular van by over 400 lbs.

GM

Chevrolet

* **Remember: Compare** the "estimated MPG" to the "estimated MPG" of other vehicles You may get different mileage depending on how fast you drive, weather conditions and trip length Actual highway mileage will probably be less than the estimated highway fuel economy Estimates vary in Calif Chevrolets are equipped with GM-built engines produced by various divisions See your dealer for details **CHEVY CARS AND TRUCKS, CHEVY DEALERS, CHEVY PEOPLE: THE PROVEN PERFORMERS.**

Shoe-leather economics

Travelers moving through Western Europe's airports have spotted one new economic indicator, or at least an index to the employment picture—the availability of shoeshine men. A businessman passing through De Gaulle Airport in Paris last month could find not a single *cireur*; in Rome, after a search, he did find exactly one *lustrascarpe*. In Lisbon, he was overrun by *limpabotas*.

Saving the white elephant

Developers eager to fill the hunger for condominiums have found a new angle, converting turn-of-the-century mansions into multiple dwellings for the price-is-no-object market. The latest to be tapped for such renovation is the 35-room Breese Merrill estate in Southampton on New York's Long Island. The developer paid a modest $462,500 to acquire the Stanford White-designed pile and is spending $5 million in construction costs, which includes about $1 million in restoration for its 75-foot music room, 2 acres of formal gardens and other relics of magnificence. The payoff? The 1898 mansion, once owned by Charles Merrill of Merrill Lynch but empty since 1972, will become 5 individual homes, and 24 more condos will be housed in 6 new buildings framing the gardens; each unit will cost from $200,000 to $375,000. Other, similar projects have been undertaken in Princeton, N.J. and on Rhode Island's Gold Coast, playground of the rich in the early 1900s. New York's Westchester County, with a dwindling housing stock, is also looking into the idea. One city there, Rye, is exploring allowing some of its baronial old homes to be cut up into condos so as to preserve the sweeping lawns and grounds that were a basic part of the good life a few generations ago. There the problem may be that builders like the profits they make on the extra buildings they are usually permitted to erect around the original white elephant.

Japan shifts its sights

With their European and American competitors up in arms and screaming for more tariff protection, the Japanese have discreetly turned their marketing guns toward the Middle East. In the first three months of 1980, Japan's exports to this area rose 88%; in March alone, they showed an 83% jump over the same month in 1979. The sales to the Mideast ran the gamut—consumer goods like household appliances and automobiles, textiles and steel products were all among the big gainers. In February of this year alone, more Japanese color television sets were shipped to Libya than to the U.S.—49,000 compared with 30,000. The U.S. shipments represented a 58% drop from February 1979.

The non-Olympic Games

Jimmy Carter's April move barring U.S. athletes from this summer's Moscow Olympics may have reduced the Games to an offstage noise for Americans, but they will still be unable to escape them completely. Corporate sponsors of U.S. Olympians have been in the starting blocks for years with full-scale tie-in promotions and many are going ahead with them anyway. General Mills, for example, has 10 million Wheaties boxes blazoned with its own Olympic star, Bruce Jenner, the 1976 decathlon gold medalist. It will keep putting them on breakfast tables until they run out around the end of August (the Games are scheduled from July 19 to Aug. 3). Minute Maid, the Coca-Cola subsidiary, was even more involved. When the boycott came, it had 1 billion packages of its products proclaiming its role as an Olympic sponsor in the pipeline and sharing supermarket space with those Wheaties boxes. Minute Maid is salvaging some of the preticketed promotion budget to sponsor at-home competition for U.S. athletes. Arthur I. Kuman, director of this activity for the U.S. Olympic Committee, says most contracts let sponsors exploit their Olympic connection until Dec. 31 and, possibly with fingers crossed, adds that he doesn't think the boycott will lessen the advertising impact. "These are panies supporting the team," he "not the Moscow, Lake Placid o other individual Games." Could b future sponsors may not be so eag get into an act that turns out to nonevent.

Bruce Jenner on his way to a gold

How do you promote a nonevent?

Playing the recession an

Those economists who couldn't fin recession six months ago should dropped their charts and looked in mailboxes. One sure sign of a down according to the U.S. Postal Service surge of hustlers taking to the mai their prey. Consumer complaints the victims are the Postal Service's warning system, and the first increa such gripes came last summer. Council of Better Business Bureaus sured a 29% increase in mail-order plaints in 1979, which brought the to a record 78,990. The council's vious peak was in 1974, again just a economy began its skid. This time most popular ploy is the work-at-h scheme, where for an up-front "in ment" of, say, $50, the gullible are p ised $300 a week for spending an h day stuffing envelopes or making p calls. The Chicago Better Business reau says it has received more 10,000 queries about such deals d the first five months of this year, an Postal Service says it has 18 emplo working full time on the same t "Anything that relates to impro your income has gotten to be a big p lem now," a postal official says, " for people that have a few bucks."

Recession-proof wheels

The recession may make most of U.S. auto industry look like a parkin but the big-ticket luxury lines are sta right on course, just as they did in 1974-75 downturn. Their sales did earlier this year but then turned aro smartly, repeating the pattern of the recession. Mercedes, for exam opened 1980 with two record mon then slipped below 1979 for the three. By the end of May they were the upgrade once more. Retail sale the German import were off 8.9% for first five months, when Mercedes 20,700 cars, but wholesale buy climbed 15% as dealers kept stocking (The $36,000 450 SL, the company s stayed in short supply, as it has "si the day we first produced it," in 19 Cadillac echoes this report, down in F ruary and early March, a turnaround May as interest rates dropped and loans became easier. Lincolns and Co nentals are sharing Ford's big trouble

This announcement is neither an offer to sell nor a solicitation of an offer to buy any of these Securities. The offer is made only by the Prospectus.

$600,000,000

American Telephone and Telegraph Company

Ten Year 10⅜% Notes, Due June 1, 1990

Interest payable June 1 and December 1

Price 100% and Accrued Interest

Copies of the Prospectus may be obtained in any State from only such of the undersigned as may legally offer these Securities in compliance with the securities laws of such State.

MORGAN STANLEY & CO. Incorporated

THE FIRST BOSTON CORPORATION

GOLDMAN, SACHS & CO.

MERRILL LYNCH WHITE WELD CAPITAL MARKETS GROUP
Merrill Lynch, Pierce, Fenner & Smith Incorporated

SALOMON BROTHERS

BACHE HALSEY STUART SHIELDS Incorporated

BEAR, STEARNS & CO.

BLYTH EASTMAN PAINE WEBBER Incorporated

DILLON, READ & CO. INC.

DONALDSON, LUFKIN & JENRETTE Securities Corporation

DREXEL BURNHAM LAMBERT Incorporated

E. F. HUTTON & COMPANY INC.

KIDDER, PEABODY & CO. Incorporated

LAZARD FRERES & CO.

LEHMAN BROTHERS KUHN LOEB Incorporated

L. F. ROTHSCHILD, UNTERBERG, TOWBIN

SHEARSON LOEB RHOADES INC.

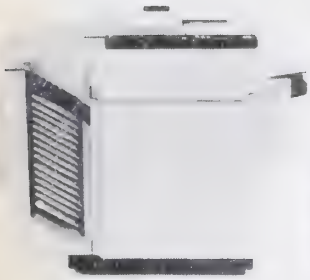
SMITH BARNEY, HARRIS UPHAM & CO. Incorporated

WARBURG PARIBAS BECKER Incorporated

WERTHEIM & CO., INC.

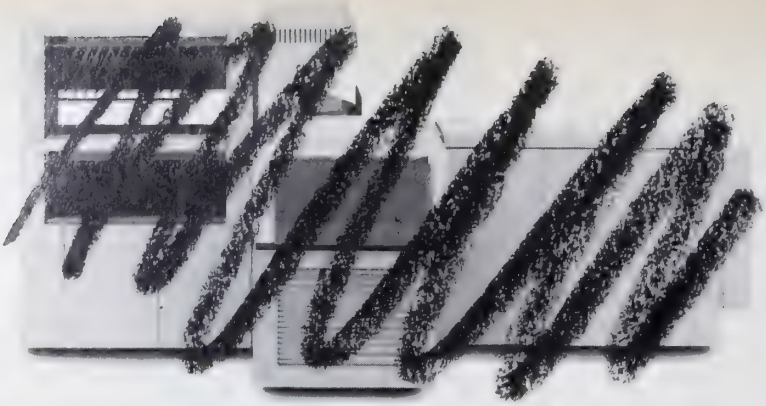
DEAN WITTER REYNOLDS INC.

May 30, 1980



The 3450

The 660



The 9200 (24 bins)

The 310

The 3100

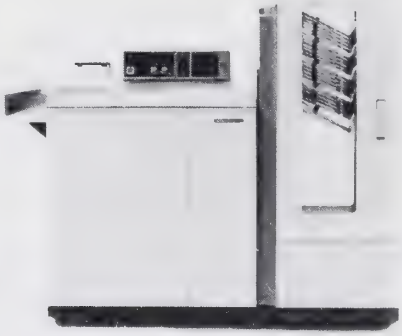
The 9200 (without sorting)

The 4000

The

The 3400

The 2600



The 4500

The

This is what we
as big a selection as ou

We could always eliminate our high-speed duplicators.

But then, people who need to make copies fast (2 pages a second) would have to settle for something slower.

We could subtract some smaller copi
But then, people with smaller needs could
get exactly what they need.

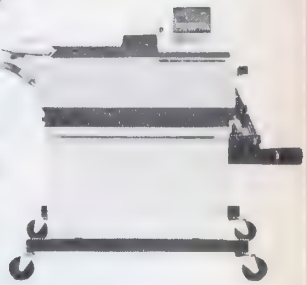
We could make fewer large docume
copiers or automatic two-sided copiers. B

XEROX® and all numbered names identified herein are trademarks of XEROX CORPORATION

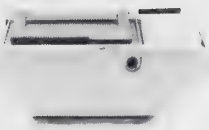
The 5400

The 5600

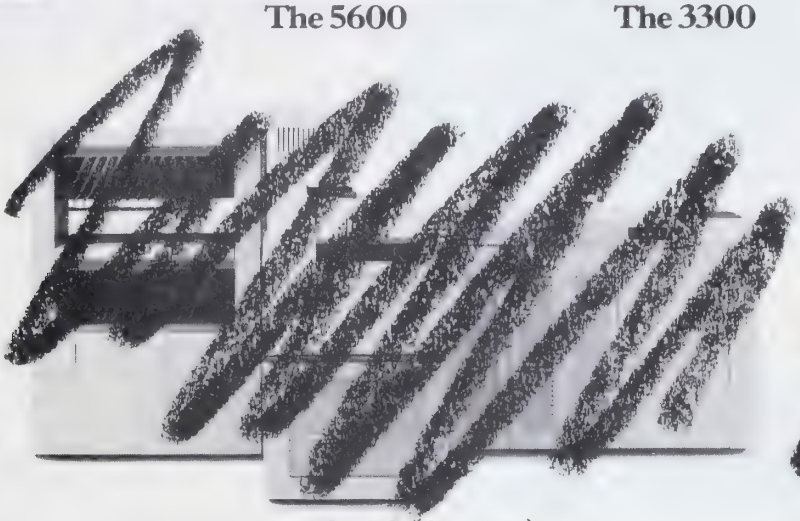
The 3300



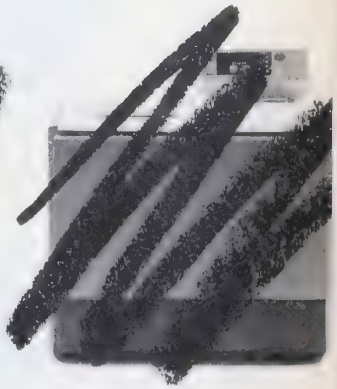
The 3107



The 2300

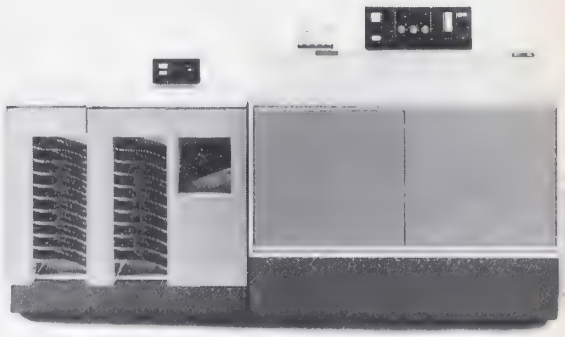


The 9400 (24 bins)



The 6500

The 3109



The 7000

ve to do to offer you ggest competitor.

ight not sit well with people who have documents or want two-sided copies. That's the trouble with offering smaller ons. You don't just offer people fewer s. You offer them fewer chances of getting the one that's just right for them.

And there'd be no point offering that. Our competitors are already doing it.

XEROX

An Outstanding Opportunity for Collectors of Western Art

THE CHEYENNE: *Issued in cooperation with the Buffalo Bill Historical Center, Cody, Wyoming, in a numbered edition of 1,000, the replica is hand-finished, cast in bronze by the lost wax process. It is approximately 17 inches high with walnut base, three-fourths the size of the Remington original.*

Museum Collections Inc. Announces The Third In A Series of Museum Quality Replicas Of Frederic Remington's Incomparable Bronzes

THE CHEYENNE — REMINGTON'S HOMAGE TO A VANQUISHED HERO OF THE AMERICAN PAST

The Cheyenne, which Remington sculpted in 1901, was Remington's admiring tribute to the past glory and courage of the Indian warrior.

Though frozen forever in bronze, *The Cheyenne* and his spirited pony appear to be in motion. As Remington himself said — they are "cutting the air" — all four of the horse's hooves are off the ground, and the bareback rider leans into the wind in perfect harmony with his mount.

Like our two earlier limited edition Remington bronze replicas — *The Bronco Buster* and *The Outlaw* — *The Cheyenne* is faithful to Remington's original in every detail.

THE REPLICA IS THREE-FOURTHS THE SIZE OF THE ORIGINAL, APPROXIMATELY 17 INCHES HIGH WITH WALNUT BASE

The Cheyenne, in a numbered edition of 1,000, is scaled to three-fourths the size of the original, foundry marked and dated, to avoid its ever being mistaken for one of the originals.

The replica is modeled from number 9 of Remington's approximately 50 casts of *The Cheyenne,* poured at the Roman Bronze Works under Remington's supervision. *The Cheyenne* was the first full edition of his bronzes to be cast by the lost wax process.

THE QUALITY OF THIS REPLICA EDITION IS GUARANTEED

The model for the edition has been approved by the trustees of the Buffalo Bill Historical Center. As each bronze is cast it is carefully inspected by our own experts at Museum Collections Inc. to assure that it meets our exacting standards of quality.

A REMARKABLE VALUE IN TODAY'S INFLATED ART MARKET

At a time when bronzes of lesser quality are selling at prices in the thousands, this edition is offered to collectors at $1575. Each bronze is accompanied by a Certificate of Ownership signed by the director of the Buffalo Bill Historical Center, and your purchase is registered permanently in your name in the archives of the Center.

GUARANTEED REPURCHASE AGREEMENT:

Museum Collections Inc. unconditionally guarantees to repurchase your bronze at the issue price of $1575 any time within one year of your purchase.

TO ORDER, CALL TOLL FREE . . .

800-243-4492, or write: Richard Walker, President, Museum Collections Inc., Dept. F20, 140 Greenwich Ave., Greenwich, CT 06830 for illustrated brochure.

Issue price, $1575. You may reserve the next available numbered bronze immediately by sending us your check now. Major credit cards honored. A five-month payment plan may be arranged. We urge you to take prompt action.

museum collections

A TIME INC. COMPANY

Trends

slow 1980 start is blamed on inv overhang. ("Too many '79s," say President Gordon MacKenzie.) Bu coln suffered a 50% drop throug when, according to MacKenzie, hi ers reported a return of "buyer dence" and an encouraging jump i Lincoln prices. (The line now also $1,000 rebates.) All three luxury-lin ers noted one salient difference be this year and 1974-75. Then, says C Horsburgh, Cadillac's director of m ing, the gasoline crisis drove down This time, it was interest rates th the greater impact. (Cadillac, mor with its cars already down-sized, ar sel and V-6 engines in the line, had fear from energy jitters.)

Under the M.B.A.

The graduate schools of business g big play but what about those tha undergraduate degrees, which mar M.B.A. mills like Harvard and Sta do not? The best, according to a study by two business professors University of Virginia, are at Penn nia (the Wharton School) and at M gan. Ranking after these, accordi Professors J. David Hunger and Th L. Wheelen, are California, Indiana as, Illinois, Ohio State, their own V ia, New York University, Washi and Southern California. On a w note, perhaps, Hunger and Wheele that at least some companies still r an M.B.A. as a must for promotion.

Giving at the bank

The fate of those toasters and bears that banks have been handin to lure new depositors is still very r up in the air. A month ago federal re tors proposed outlawing the goodie since then 3,000 protesting letters reached Federal Reserve Board head ters in Washington, D.C. Among most outraged are companies ma the premiums; they claim the ban c wipe out 50,000 jobs and $500 millio annual business. The heat has grow intense that the new Depository Ins tions Deregulation Committee has tended the deadline for public comm a month, to mid-July. Any final ac seems unlikely until at least Septem and there's a good chance the ban never be imposed, even though fed regulators claim that policing the $5 $10 gifts is a tedious and expen chore. History may make the whole bate academic as limits on interest r are phased out over the next six y and banks can offer higher payouts stead of teddy bears.

This announcement is neither an offer to sell nor a solicitation of an offer to buy any of these securities. The offer is made only by the Prospectus.

NEW ISSUE

$200,000,000

Halliburton Company

10.20% Sinking Fund Debentures Due June 1, 2005

Price 100%

Copies of the Prospectus may be obtained in any State in which this announcement is circulated only from such of the underwriters as may legally offer these securities in compliance with the securities laws of such State.

Lazard Frères & Co.

Lehman Brothers Kuhn Loeb Incorporated

Blyth Eastman Paine Webber Incorporated

The First Boston Corporation

Goldman, Sachs & Co.

Merrill Lynch White Weld Capital Markets Group
Merrill Lynch, Pierce, Fenner & Smith Incorporated

Salomon Brothers

Bache Halsey Stuart Shields Incorporated

Dillon, Read & Co. Inc.

Donaldson, Lufkin & Jenrette Securities Corporation

Drexel Burnham Lambert Incorporated

E. F. Hutton & Company Inc.

Kidder, Peabody & Co. Incorporated

L. F. Rothschild, Unterberg, Towbin

Shearson Loeb Rhoades Inc.

Smith Barney, Harris Upham & Co. Incorporated

UBS Securities Inc.

Warburg Paribas Becker A. G. Becker

Wertheim & Co., Inc.

Dean Witter Reynolds Inc.

ABD Securities Corporation

Arnhold and S. Bleichroeder, Inc.

Atlantic Capital Corporation

Basle Securities Corporation

Alex. Brown & Sons

F. Eberstadt & Co., Inc.

A.G. Edwards & Sons, Inc.

EuroPartners Securities Corporation

Robert Fleming Incorporated

Kleinwort, Benson Incorporated

Ladenburg, Thalmann & Co. Inc.

Moseley, Hallgarten, Estabrook & Weeden Inc.

New Court Securities Corporation

Oppenheimer & Co., Inc.

Piper, Jaffray & Hopwood Incorporated

Wm. E. Pollock & Co., Inc.

Stuart Brothers

Thomson McKinnon Securities Inc.

Tucker, Anthony & R. L. Day, Inc.

June 16, 1980

IT'S WORTH A $60,000 MORTGAGE.

This house is located in a worn-down neighborhood in an American city. The neighborhood is not completely gone, but it's hurting.

Urban neighborhoods like this have the potential to recover—to become places where people would like to live. We'll stake money on it.

PEOPLE MAKE VALUE

Many people feel they'd miss something by living in the suburbs. The city offers diversity, history, culture and convenience. Urban public transportation means freedom from the automobile. Many city houses have character and architectural interest. And since more people still choose the suburbs, housing in the city can be a good buy.

PEOPLE MAKE A MARKET

If people want housing in the city, there can be a housing market in the city. Lenders of mortgage money, recognizing this change, can see that this house is worth a lot to someone. When it is rehabilitated, it will be worth a $60,000 mortgage. We can see it now.

We're Fannie Mae, the Federal National Mortgage Association. We are a shareholder-owned, profit-making corporation, with a specific purpose. Our job is to help meet people's housing finance needs. We don't make loans, but by buying mortgages from local lenders who do, we replenish the lenders' supply of funds so they can grant more mortgages.

In addition to our regular mortgage purchase activities, we have set up a series of special programs that use our position in the home finance market to encourage more mortgage lending in urban areas.

FANNIE MAE'S REHABILITATION LOAN PROGRAM

Under our rehabilitation loan program, a lender would be able to grant a $60,000 mortgage on a house like this, even though in its present condition it may have a market value of only $35,000. Its value, when rehabilitated according to approved, detailed plans, would be about $63,200. A lender taking advantage of this program could grant a mortgage based on the completed value of the house, rather than on its present value. The buyer who is qualified for a 95%, 30-year conventional mortgage would be required to put 5% down and would receive $60,000 as a mortgage loan—95% of the house's completed value. $35,000 would go directly to the seller of the house, and the rest would be placed in an escrow account administered by the lender, to pay for the rehabilitation.

Home buyers used to have to go out and persuade someone to give them a construction loan for the rehab work, with separate transaction costs, a short-term payback and a higher interest rate. Now they don't have to.

GETTING THE WORD OUT

If no one knows about our programs, they won't do much good. Fannie Mae people from each of our five regional offices go out into the cities and tell lenders what kinds of mortgages we will buy.

We also try to convince them of what we already know—that making urban loans is good business for us, for lenders and for the community. People want urban homes, and Fannie Mae believes that properly underwritten urban mortgages carry no more risk than those on suburban properties.

LOCAL PARTNERSHIPS

We work with community groups, local governments and local lenders to get neighborhoods turned around. It's already working in neighborhoods in such cities as Memphis, Philadelphia, Los Angeles, Toledo, Seattle, and Dallas.

The city government has to be involved, because a neighborhood will not improve unless essential services are maintained or re-established. Building codes have to be applied sensitively to rehabilitated structures.

And there must be a lender committed to lending mortgage money. Community groups have often seen lenders as unapproachable. They're not. Fannie Mae is in a good position, with its ongoing relationship with many lenders, to bring them into the partnership.

But most important, people in the community must make a commitment to preserving and improving their neighborhood.

People want to live in cities. That means there is economic life to be brought back into cities as well. It is people who make this house worth a $60,000 mortgage. All our complicated real estate and financial transactions are, simply, a response to what people want.

WHAT IS FANNIE MAE?

Fannie Mae, the Federal National Mortgage Association, is a shareholder-owned corporation which helps meet people's housing needs by supplying money to the home mortgage industry. Since 1968, our investment in mortgages has financed housing for close to 3 million American families. Federal National Mortgage Association, 3900 Wisconsin Avenue, N.W., Washington, D.C. 20016.

FANNIE MAE America's Mortgage Resource

WHAT'S SO GOOD ABOUT OUR ROOF SPRAY SYSTEM?

1. ECONOMY. The Randustrial® Roof Spray Process can save you up to 50% on labor costs — because your own men do all the work. We loan you the equipment FREE OF CHARGE.
2. CONVENIENCE. You decide when the work is to be done. We instruct your men on the use of the equipment and proper roofing procedures.
3. EFFECTIVENESS. Simply patching and spraying your roofs once every 3 to 5 years with Randustrial®'s quality roofing materials prolongs roof life and saves replacement costs.

For full details on the Randustrial® Roof Spray Process and a FREE copy of our 64 page Industrial Maintenance Catalog, simply inquire or call us collect at (216) 283-0300.

Randustrial® Corporation
Sales Offices in Principal Cities
13306 Union Ave. Cleveland, Ohio 44120
Phone: (216) 283-0300

CHANGE OF ADDRESS

If you are moving, let us know six weeks before so we can keep Forbes coming. Enter your new address on this form and return it with a recent mailing label from the magazine.

NEW SUBSCRIPTION

To order Forbes, enter your address on this form and check the subscription you prefer. ☐ 1 year $27.00 ☐ 3 years $54.00 (the equivalent of one year free). Canadian orders, add $4 a year. Pan-American and Caribbean orders, add $5 a year; other foreign, add $15 a year.

Subscription Service Manager
Forbes, 60 Fifth Avenue
New York, N.Y. 10011

ATTACH MAGAZINE MAILING LABEL OR WRITE SUBSCRIBER NUMBER HERE
(see above name on label)

Name (please print)

New Address

City

State Zip

Date of Address Change

Getty gets going

"With Getty's enormous cash flow, decisions have to be made about where that money ought to be reinvested," FORBES commented last year *(Oct. 29, 1979)*, adding that Getty Oil's president, Sidney R. Petersen, in June 1980 was due to be the company's first chairman without a hard hat and oil-stained gloves. His financial background made him ideal for riding herd on an acquisition program, FORBES noted.

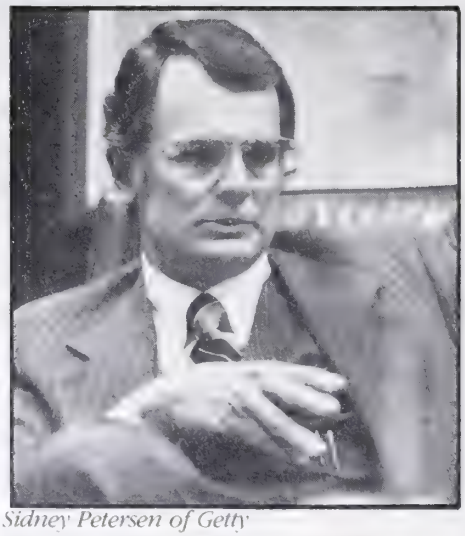
Getty Oil opened 1980 by paying about $620 million cash for Reserve Oil & Gas of Denver. Last month, Petersen's new chairman's seat barely warm, Getty reached into the cash drawer for another $570 million in a $97-a-share bid for ERC Corp., a white-knight gambit that should end the efforts of Connecticut General Insurance to acquire the big Kansas City reinsurance firm. (Connecticut General had bid $80 and Wall Street expects Petersen's offer will stop that move cold.) Along the way, Getty put up a rumored $10 million for a TV sports network, a few million more for a cable-TV movie operation in a joint venture with four major movie companies, and in mid-June announced a $60 million deal for a Utah coal-mining operation.

Sporting a pale lavender tie and matching pin-striped shirt, Petersen is a far cry from his predecessors but his philosophy is right out of the classic Spindletop manual. Oil companies like businesses that need a minimum of tending with lots of assets per employee. ERC fits the bill; the reinsurance firm has assets of $1.5 billion and a modest 600-person payroll. Earnings last year were $47 million but cash flow added up to $200 million. When the property/casualty business is off (as it is right now) Petersen can pull cash out of his new acquisition and funnel it into oil investments, he points out. When the sun shines ag insurance, he can reverse the flow feel comfortable with the deal," he "The business is compatible wit way of thinking. It has a cash flo ture and management's job is to rei that cash flow."

With outlays of $1.2 billion in les a year for the two deals above, G treasury has been trimmed, but its flow remains huge and it still has to borrow. And borrowing is now a bility at Getty, even though the pany founder, legendary J. Paul G used to say debt kept him awa night. Petersen thinks differently. only $227 million in debt (com with shareholder equity of $3.4 bil his borrowing power is probably i billions. "Our problem," the new c man says, "is we've underutilized cash resources and borrowing capac

Getty's cash box should be easil plenished. In 1978 the company was ing its North Sea oil for $13 a b today the price is closer to $33. Ca nia heavy oil, another Getty gusher, goes for $24 a barrel; a year ago th was $6. In the first quarter of 1980 ings went up 109%, to $2.75 a share

Despite headline-grabbing ven into insurance and entertainment, P sen says the company is still focuse natural resources. "We've looked at s forest-product companies," he says, when we ran the numbers and saw much people were paying for timbe couldn't figure out why." When he Getty do figure out why, forest-pro companies best beware. That cash b potent—and handy. Asked why he c to make all these transactions with cash, Petersen says simply: "I guess cause we had it."



Sidney Petersen of Getty
The beautiful problem of money.

So who needs frills?

Two years ago, with just a touch of descension, FORBES *(June 12, 1978)* cluded Days Inns of America in a re on budget motels titled "On the Che The only points considered notewo about the privately owned chain w that it served no alcohol (a tribute to Baptist founder), provided not one two Bibles in every room and gave counts to senior citizens.

Chic or not, Days Inns, founded 1970 by an Atlanta real estate man, done very nicely, thank you. In 197 had 291 units concentrated in Southeast. Today it has 308 inns lodges in 28 states and Canada (2 owned, 60% franchised, the rest aff ated) and is shooting for 1,000 by end of the Eighties. Last year's reven were close to $110 million; profits w up 54% and expected to go up and

LIFE IS FILLED WITH COMPROMISES. A $30,000 CAR SHOULDN'T BE.

In these times of performance-sapping anti-pollution laws, fuel requirements and safety regulations, it is becoming increasingly difficult to build cars that are still worth driving.

Certain observers, given to dark prophecies, have even gone so far as to predict a generation of fatally uninspired, irrevocably compromised automobiles.

Expensive luxury sedans that, in the somewhat colorful prose of Car and Driver magazine, "...ride like pillows when you cruise them and squeal like pigs when you push them."

A dour prediction indeed. But fortunately one that does not take into consideration the inventive genius and the obsessive determination of the engineers at BMW in Munich, Germany to build extraordinary automobiles.

Against all odds, the BMW 733i not only meets the critical demands of society, it does so without ever once violating our conviction that extraordinary performance is the only rational justification for owning an expensive car.

PERFORMANCE AND EFFICIENCY CAN COEXIST UNDER THE SAME HOOD.

In a very real sense, the BMW 733i is a seemingly incongruous combination of qualities many automakers insist are mutually exclusive.

While the 733i is the largest BMW sedan, its size in no way hampers its uncanny agility, its responsiveness to the driver, or its singular capacity for removing the drama from even the most hair-raising road conditions.

Indeed, its suspension system—independent on all four wheels—has been described by Car and Driver magazine as "...the single most significant breakthrough in front suspension design in this decade."

Press the accelerator and the 733i's fuel-injected, 3.2-liter, overhead cam engine responds in a manner that would be exhilarating—even by pre-pollution control standards.

Yet, the 733i (with standard transmission) delivers 16 EPA estimated mpg, 23 estimated highway mileage and, based on these figures, an estimated mpg range of 360 miles and a highway range of 518 miles.

(Naturally, our fuel efficiency figures are for comparison purposes only. Your actual mileage and range may vary, depending on speed, weather and trip length. Your actual highway mileage and highway range will most likely be lower.)

And, when you slide behind the wheel of the BMW 733i, you will notice an object just to your right that should give you considerable insight into the somewhat divergent philosophy of BMW. It's called a manual transmission.

Unaccountably, the 733i is the only "luxury sport sedan" in its price class to provide one as standard equipment. (Automatic is, of course, available.)

LUXURY NEEDN'T BE SYNONYMOUS WITH SUPERFLUOUS.

It's difficult to imagine an appointment, a convenience or an accessory that has been omitted in the BMW 733i.

AM/FM stereo cassette, electric sunroof, electric windows, electric rearview mirror—even a central-locking system that locks all four doors, the trunk lid and the gas door with the turn of a single key—are all standard equipment.

Yet, all facets have been biomechanically engineered to the nth degree to help eliminate driver fatigue.

Its seats are anatomically shaped buckets, covered in wide rolls of supple leather. Its front seats are so thoroughly adjustable that it is all but impossible not to find a comfortable driving position.

All vital controls are within easy reach. The tachometer, speedometer and ancillary instruments are large, well-marked and totally visible—set in a dashboard that sweeps out to meet the driver.

"If you've driven any BMW in the last ten model years," writes one automotive journalist, "lean back, close your eyes and imagine that car honed and polished to the limit of human finesse. That would be the 733i..."

If you find the notion of owning such a car more than a little intriguing, we suggest you phone your nearest BMW dealer and arrange a thorough test drive.

THE ULTIMATE DRIVING MACHINE.

BMW M. NICH GERMANY

© 1979 BMW of North America, Inc. The BMW trademark and logo are registered trademarks of Bayerische Motoren Werke A.G.

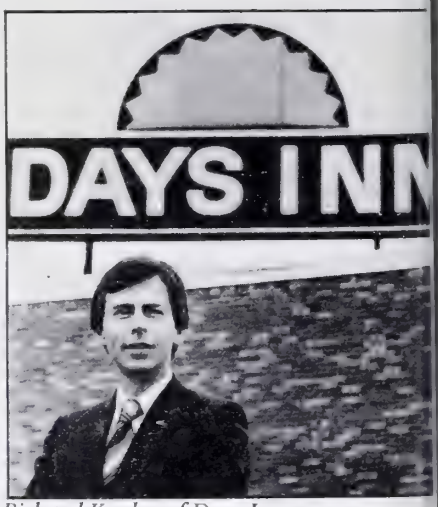
It's crystal-clear.
It's a bit more expensive, but for a flawless, cool Tom Collins,
the world comes to Gordon's.®

Follow-Through

33% in 1980. Gasoline, bugaboo o travel industry for the last few years been no problem for Days Inns gu Most hotels in the chain—sixth-la full-service operation in the U.S.— 24-hour self-service pumps that st in constant operation through the l est days of the oil crunch (and prod revenues of $24 million and profi $1.4 million last year).

The thrift theme originated founder Cecil B. Day who, with children, had a personal interest in cost vacations. In 1970, after liqu ing $5 million of his real estate h ings, he set up Days Inns. The tem ance touch and the extra Bible (or standard, the other revised) also c naturally. Day's father was a Ba minister. The current boss, Ric Kessler, is cast in the same mol Day (who died in December 197 age 43)—a Southern Baptist, a Ge Tech graduate and the product of w he calls a "frugal childhood." Now Kessler has been with the opera since its inception, supervising c struction, then finance and finally whole shebang as chairman, presid chief executive and 15% owner. (C Day's widow and children own 80%

No frills and low cost—the ave room tab is $19—are still the r The chain has no convention or m ing spaces, no lobbies, no bars cocktail lounges (though guests bring their own liquor). Days I likes to call itself "budget-luxury," the only concessions to luxury swimming pools, color TV, gift sh restaurants and those always-open pumps. And even with recession still-rising prices, Days Inns keeps innkeeper's smile. "We're expect our best summer ever," says Treas Ken Neimann.



Richard Kessler of Days Inns

Bed and board—and gas to get home

Cleanliness may be next to godliness. But in some Dutch harbors, it was next to impossible.

The well-known feeling of the Dutch for cleanliness didn't stop at the water's edge.

And what they saw in some of their harbors was disconcerting, to say the least.

Every time that a ship pumped water out of its bilge, there was a good chance waste oil would be pumped out with it.

The result was a worrisome oil slick—a slick spreading over many of the world's harbors these days.

(Indeed, back in 1973 an international maritime ruling called on ships everywhere to monitor their oil waste, to avoid worries like these.)

What to do? Some of the people of ITT came up with an ingenious answer—an optical fiber device that carefully "watches" a ship's bilge water.

A laser beam scans the bilge waste being pumped out. And if the oil levels are too high, an alarm goes off.

So, the pumping can be stopped.

Our ITT device was the first anywhere to be government certified, meeting the required performance standards for this urgent monitoring task.

Obviously, no one expects to unpollute the world's harbors overnight.

But the least we can do is give it a good, clean try.

The best ideas are the ideas that help people. ITT

© 1980 International Telephone and Telegraph Corporation, 320 Park Avenue, New York, N.Y. 10022

Edited By Dero A. Saunders

Items of interest from issues of FORBES of 60, 50 and 25 years ago.

Sixty years ago in FORBES

United Fruit Co. head Minor C. Keith
Leading developer in Central America.

Trade prospects in Central America are now very bright. That part of the world was neutral during the war, prices for their products were low, and great difficulties of transportation hindered them in their exports and imports. But since the armistice their products, principally coffee and sugar, have increased more than two-fold in market value, so that at present they are extremely prosperous. Moreover, they face the future with added assurance because they have escaped the heritage of enormous war obligations which press heavily upon the finances of this country and the European participants in the war.

Very few business men have received honorary degrees this year from universities and colleges. The university dignitaries apparently believe in showering their honors upon people purely of their own class. Wouldn't it be well if everything possible were done to whet the business world's interest in our seats of learning? Many business leaders have something besides money which they could contribute to the work of universities.

The latest is the endowment of a course in industrial supervision and employment management for women at Bryn Mawr. We have never seen anything like this before. The standard set for students is high; only college graduates are admitted. This innovation is in line with the trend of the times. Women now figure so prominently in business and industrial life that steps should be taken to bring the order of things into harmony therewith. FORBES has urged the admission of women to the directorates of companies which either employ large numbers of women or sell their product in whole or in part to women. This publication, therefore, welcomes the establishment of a high-grade course to train women for supervisory and executive positions in industrial establishments.

A sales manager who is touring the country finds that the buying of luxuries has almost ceased among the class which lost their heads by receiving unprecedentedly high wages during the war. Not so many pianos and phonographs are going into working class homes. There is a falling off in the demand for carpets and rugs. . . . The scramble for costly furniture has also abated. Shoes costing anywhere from $12 to $20 have lost their appeal to many persons who have been indulging themselves during the last two or three years. The bloom is off the jewelry business.

Is there not grave profiteering in coal? Prices as high as $15 a ton are said to have been paid by steamers in New York harbor, while railroads are paying higher prices for their huge requirements than an ordinary householder used to pay for his few tons. Does it not look as if coal companies are gouging the public as gaily as ever the sugar or woolen overlords dared to practice? Coal used to sell at the pitmouth for two dollars or less a ton, and although wages and other costs have advanced, production expense has not risen anything like the percentage of advance which has been made in the selling price.

Fifty years ago

The Appellate Division in New York has rendered a decision of great importance to accountants and of interest to businessmen. A well-known firm of accountants examined and reported on the financial condition of a firm, at its request. Based on the certified figures, another concern advanced money. The loser brought suit against the accountants. The lower court held that, inasmuch as the accountants were not engaged by the lenders, the accountants had no responsibility whatsoever toward them. The Appellate Court has reversed that ruling and awarded compensation to the lenders for the losses they incurred. The court held that public accountants who make audits for corporations with knowledge that their reports and certificates of audit are to be used in borrowing money will be held responsible for gence in making up the audit if result.

The southwestern oil producing . . . have again become the key general petroleum situation. Upo success of fresh efforts to curtail pr tion in Texas and to prorate future in the Lea County, New Mexico are depend the immediate prosperity raw material branch of the petro industry.

Twenty-five years ago

Cigarette-cancer squabble [is] sm again with the American Cancer ety's latest report that, among men smoked two or more packs a day, cancer was an important cause of d second only to heart disease. Pron blasting the findings, the industry-s sored Tobacco Research Committe ported the results were purely statist failing to take into account "impo environmental . . . occupational, ical and emotional factors. . . ."

Jim Rand [of Sperry Rand] got the on business-machine competitors in 1951 by producing the first "electronic brain" computers for c mercial use. . . . Even with this start, Sperry Rand faces many a hu

Sperry Rand head James Rand

ahead. The electronics industry is stil its self-diapering infancy, and the fiel swarming with such savvy competit as General Electric, Westinghouse, R National Cash Register and Underwo IBM, for one, is hard at work on a n "705" computer, which will go on market soon in direct competition w Remington Rand's Univac.

AEP plans study of acid rain.

The American Electric Power System announced today an agreement with Battelle Memorial Institute's Columbus Division in Columbus, Ohio to conduct research on acid rain. The study will begin this month and is expected to be completed by August 1.

W. S. White Jr., AEP chairman and chief executive officer, said the purposes of the study are to:

- Determine what is now known about the formation, transport, deposition and effects of acid rain from an environmental standpoint.
- Determine what research efforts are currently under way or planned on acid rain, as well as the scope of these efforts.
- Determine what additional research efforts are needed to develop factual conclusions and recommendations concerning the environmental causes and effects, whether detrimental or beneficial, of acid rain.

White said existing acid rain dispersion models will be assessed and comments will be sought from the U.S. Environmental Protection Agency regarding these models.

Commenting on the need for the study, White said, "This represents an effort to outline just what facts are available now and what evidence is missing in gaining an understanding of the issue of acid rain. We feel strongly that private and government research must be conducted on the causes and effects of acid rain before any untoward action is taken to legislate or otherwise impose mandates that involve massive financial commitments without any assurance of success."

Muncie, Indiana Evening Press
May 9, 1980

We're American Electric Power. We're also Appalachian Power, Columbus and Southern Ohio Electric, Indiana & Michigan Electric, Kentucky Power, Kingsport Power, Michigan Power, Ohio Power, and Wheeling Electric.

American Electric Power

AEP

Was he paroled?

SIR: Re Jimmy Carter's recent self-confinement to the White House Rose Garden: I thought he was required to remain in the White House because he couldn't leave the scene of the crime.

—J.T. Garner
Warrenton, Va

Social Security shaky

SIR: Re Ashby Bladen's article on Social Security ("The shocking shape of things to come," *May 26*). If real wages rise at a rate of 1.2% per year (modest by historical trends), then three workers in 2025 can support one Social Security recipient from the same proportion of their income as five do now. This assumes, of course, that Social Security benefits will not be increased faster than the cost of living.

—H.G. MacPherson
Oak Ridge, Tenn

Mr. Bladen replies: The real standard of living of the average factory worker has already fallen by nearly 10% from its peak several years ago. If the basic thrust of our national policies were sound a single unwise program could probably be sustained. If we do not do something decisive, we will become a poor people just as the British have done before us, and for very much the same reasons.

Not so open

SIR: You quote West Germany's head economist as saying that West German markets are "equally open to imports." They're not.

Using a banner of national defense, in recent trade negotiations, EEC insisted three significant market areas be "protected"—telecommunications, electric utilities and transportation. The U.S. now lies further exposed to intrusions at home by European competitors who need not fear penetration of their home markets by U.S. manufacturers.

—Stephen C. Jenkins
Clifton Park, N.Y.

Defending a subsidy

SIR: In "Trends" *(May 12)*, UCLA economist George W. Hilton says Amtrak has lost $2.5 billion in the last nine years. Amtrak is a service of our government to those taxpayers who prefer to "take the train." The so-called loss is actually a cost for a necessary facility of government operating for its true owners. Hilton's source of income is from government—UCLA—the taxpayers of California; does UCLA close down if it continues to lose money through requiring tax support?

—William S. Marbourg
Tarpon Springs, Fla

Low-wage doctor?

SIR: Re doctor house calls *(Readers Say, May 26)*. Fifty cents times 981 miles plus a $25 house call equals $515. If the doctor averages 50 mph, the round trip will take 39 hours plus 1 hour for a house call, or a 40-hour week. If he deducts just gasoline, $164, and meals and lodging, $220, this leaves him with $131, or, for his 40-hour work week, an hourly wage of $3.28. Does the good doctor wish to reconsider?

—Rex Steelman
Kansas City, Mo.

Élan not enough

SIR: While Edward Luttwak's point about excessive reliance on technological fixes in the American military establishment is well taken *(As I See It, May 26)*, he does sound reminiscent of the French military at the turn of the century, who insisted that élan (roughly, spirit) would prevail over new technology and that the infantry charge would always carry the day in battle.

The machine gun proved them (and others) wrong to the tune of millions of dead in World War I.

—Michael C. Lynch
Cambridge, Mass

Golden birthday present

SIR: I laughed when I read the recent Fact and Comment segment *(May 26)* pertaining to the $1,000 bond presented to MSF by his father, B.C. Forbes, on the occasion of B.C.'s 50th birthday.

I recall that B.C. surprised his employees by taking us all to lunch at the Fifth Avenue Hotel and we were given gold pieces (I believe mine was for $5). I was just 16, newly employed. Would that I had held on to it!

—Edith Mayham Irvine
Garland, Tex

Still a hero

SIR: The account of the Chesapeake's defeat by HMS Shannon in *Here Lies America* by Eills and Hayden *(Other Comments, June 9)* is suited to their title.

They say the American "... simply fled. The Chesapeake s her colors and Lawrence was dea We wonder why [the commander's ing words ('Don't give up the ship! came a rallying cry, a symbol of courage, when 'give up the ship' exactly what they did."

In Harry L. Coles' *The War of 1812* may read a more accurate account. order was obeyed literally; no Amc ever did haul down the flag." The Br took the ship after bitter hand-to- fighting.

—Riley Sunderland
Bar Harbor, Me

Inappropriate tax cut

SIR: In your comments *(Fact and ment, May 12)* on the Administrat "wrong emphasis" of monetary po the Capitalist Tool suggests income reduction across the board. Would th appropriate for a generation of cons ers that has learned to spend all, none? What this country needs is a individual money management cour

—Jerry C. Knight
Grand Junction, Colo.

Costly helium

SIR: Re your comments on Maxie An son's helium balloon trip across the tinent *(Fact and Comment, June 9)*. figures for the cost of the helium are low. The Kitty Hawk was loaded 200,000 cubic feet of high-purity hel retailing at around $25 per thousand transportation costs. Incidentally, um for the Kitty Hawk was supplied loaded by Cities Service.

—Richmond B. Galbreath
Executive Vice President,
Cities Service Co.
Tulsa, Okla

FORBES not stuffy

SIR: There are a lot of FORBES readers there in the hinterland, and one a another they pressed upon me your view of my book *Dateline America* (H court Brace Jovanovich, Inc.).

Your dead-accurate restaurant rec mendations alone are worth the $2 my book, I think I called FORBES ma zine stuffy. This is a retraction.

—Charles Kuralt
CBS News
New York, N.Y.

CANON INTRODUCES THE WORLD'S MOST COMPACT BIG COPIER.

ot much larger than a typewriter. Yet it can copy on virtually any paper. Up to 11 x 17. At 20 copies per minute letter size. The reason: Micro-Computer technology. Fiber optics. A revolutionary "Toner Projection" system. Canon NP-200. A new monocomponent plain paper copier. That fits your needs. Your office. And your budget.

MICRONICS MAKES IT SIMPLE.

Canon USA Inc. Copier Division/10 Nevada Drive, Lake Success, New York 11042

I'd like to know more about the NP-200.

☐ Please send me more information. ☐ Please have a salesperson call.

NP 200

NAME _____ TITLE _____ COMPANY _____

ADDRESS _____

CITY _____ STATE _____ ZIP _____

TELEPHONE _____ FB0707

Canon®

PLAIN PAPER COPIER

NP 200

Canon

25th ANNIVERSARY U.S.A.

980 Canon U S A Inc

We've made a

a deep impression.

he Case name is highly respected by construction quipment experts on six continents. This particular 20' x 30' x 4' deep earth sculpture, the handiwork of ne talented operator and his Case loader/backhoe, emonstrates the precision and maneuverability of ne machine that's the number one choice of contrac-ors around the world.

ut we produce more than loader/backhoes. In fact, we ffer construction equipment customers the broadest ne of equipment: crawler loaders and dozers, hydrau-c shovels and excavators, wheel loaders, skid steers, trenchers and compactors. Quality machines that are supported by a parts supply system that uses the latest in computer technology to keep them on the job all over the world.

Such impressive performance by Case has made it the the fastest-growing company in the field and the second largest construction equipment manufacturer in North America.

J I Case
A Tenneco Company

TENNECO

case

© 1980 B&W T Co.

Rich Lights
from Viceroy

The rich low 'tar'.

There's never been a low 'tar' with richer taste.

Warning: The Surgeon General Has Determined That Cigarette Smoking Is Dangerous to Your Health.

Kings, 9 mg. "tar", 0.7 mg. nicotine; 100's, 10 mg. "tar", 0.8 mg. nicotine av. per cigarette, FTC Report Jan. '80.

Fact and Comment

By Malcolm S. Forbes, Editor-in-Chief

WE'LL BE LUCKY IF CARTER'S BALANCED BUDGET

ends up only $50 billion in the red—in spite of all the additional tax revenues this Administration is collecting.

IF YOU WORKED EIGHT HOURS TODAY

ours and 52 minutes of it you spent earning enough to pay ederal, state and local taxes. That's an average, according Tax Foundation. Since you're probably well above aver- ou can take comfort from the fact that you worked from norning until a late lunch for the government.

of the 2.8 million full-time federal employees, I'm sure, preciative. And, even with inflation, you only had to work 5 minutes longer on their behalf this year over last.

It's nice to know that the feds themselves will take only 22% of our gross national product in fiscal 1981. While this is higher than that required during the peak of World War II, there is an act (Humphrey-Hawkins) which says their take should be no more than 20% of the GNP. But that is being ignored, bypassed as "unrealistic."

WITH A CREDIT-SEEKING FLOURISH, CARTER HAILED

reement by Volkswagen to take over for automobile acture a Michigan missile plant where production is ıled to end in October. "Almost literally, we can have a e of swords into plowshares," trumpeted our President.

would think—and hope and pray—that after our mili- quipment ignominy in the Iranian rescue effort, after nistan and discovering how little military capability we have at the ready, Mr. Carter would be giving a priority and seeking applause for turning closed automobile plants (as at Chrysler and Ford) into the making of needed swords, *i.e.*, tanks, spare parts and all the other hardware we so alarmingly lack.

Plowshares we've got.

Swords we need.

RHODESIA INTO ZIMBABWE

So far, a miracle in the making. What an exciting hope in this time of dismal international developments that there is now a possibility that Prime Minister Robert Mugabe might turn out to be another Kenyatta.

IF ANYBODY SHOULD HAVE NUCLEAR PLANT NEUROSIS

Japanese, as the atomization of Hiroshima and Nagasa- e them a firsthand, horrific experience of what that ad could do even in its earliest, crudest, least powerful s a weapon.

in Japan today there are 16 atomic energy plants in ion and they have announced plans to build 19 more. hn Salisbury, KXL commentator in Portland, Ore., comments: "To those of us who have watched Japan come from a third world power to a position of preeminence, the answer for Japan's power stance is very simple. The Japanese are an intelligent and practical people and understand full well that the risks of atomic power are small compared to the risks of an energy-short Japan. Is anyone in energy-short America listening?"

IN CASE YOU UNDERESTIMATED WHAT PLASTIC MONEY

has done for/to consumer spending and the vast growth in consumer credit, there's the tale of California's young Walter Cavanagh, who has accumulated 1,003 credit cards that he keeps handy in a 250-foot-long wallet.

Mr. Cavanagh says that if he charged all he could o cards, his line of credit would total $1.25 million.

AGING CHALLENGES

Aging is something we all do every day and, if we're lucky, we'll be part of the living-longer statistics. Right now, 25 million Americans—11.2%—are over 65. Incidentally, speaking of sex inequality, today's 65-year-old man can expect to carry on for another 13.9 years, while his 65-year-old women friends can look forward to another 18.4 years (attributable, of course, to the gentle care we give 'em all along the way).

This increase of Mature Ones—middle-agers (however you define the term) and over-65ers—presents a whole new and challenging market on the one hand; on the other, they themselves are presented with whole new challenges in living.

A healthy and growing percentage have more spendable income than they ever had. The kids are educated, grown and gone; lengthier vacation time or retirement itself gets them into every conceivable leisure activity; and a greater number of them have the bread to do it with. Here's a market that is relatively unplumbed by Madison Avenue, where the dominant young in advertising are still strung out on the Young as the main market.

But if things and money are not the biggest probler many past-50s, each subsequent decade sees more challe to the health of both body and mind. Thinking posit becomes positively essential. As Norman Cousins pu "Your body will experience a powerful gravitational pull i direction of your expectations—positive or negative. . . . heaviest artillery against illness will be your will to live. that big gun going."

But even though more of us will be living longer ar present killing diseases are conquered, we will, in the wor Lewis Thomas, "still age away and wear out, on about same schedule as today, with the terminal event being r like the sudden disintegration and collapse all at once of O Wendell Holmes' well-known one-hoss shay."

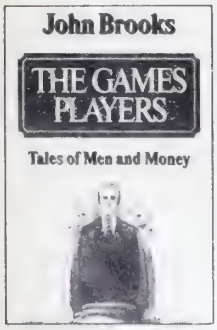
Coping with a longer life is an exciting challenge to t who do. But the fact remains that the whole Trip is still a s one. Wise ones, while alive, should *live.*

OF ALL SENSELESS PIECES OF FURNITURE

the apparently popular U- or L-shaped sofa has to be the dumbest yet devised. For an outrageous price, you get a corner unit that only a legless sitter could occupy, flanked by two other units whose occupants have to spend time either playing footsie or kicking each

other's shins. I can't figure out wh see so many furniture ads featu these absurdities. Is it because pe have more sense than to buy them the furniture stores are conseque overstocked? Surely it couldn't be cause they sell so well, could it?

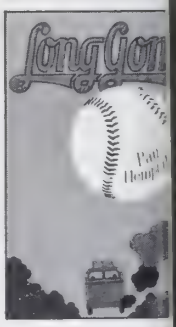
BOOKS



The Games Players—by John Brooks (Times Books, $15). John Brooks writes literature of investigative illumination about corporations, corporate tussles and good and bad corporate tycoons. This volume of some of his outstanding *New Yorker* pieces brings back memories for some of us and brings alive what's new history to younger businessmen.

Excerpt: *There is no record that news of the bargain purchase of Manhattan Island by the West India Company in 1626 had the slightest effect on the price of its shares in Amsterdam.*
Excerpt: *For tens of millions of fortunate citizens of rich countries, [stock trading] is, if seldom a living, a source of vast satisfaction and one of the few entertainments that enjoy the sanction of social acceptability on grounds of utility. (The horse player's protestation that he is generating taxes or improving the breed rings hollow beside the stock player's that he is helping finance industrial expansion.)*

Long Gone—by Paul Hemphill (Viking Press, $8.95). You don't have to be into baseball to find this tale of a Florida country boy who makes it with a bottom-rung cracker team warm, funny, loving.



Excerpt: *Stud said, "There was this kid who was 12 years old and had never spoken a word. Not a word. His mama and daddy had spent $8,000 on him with doctors, trying to find out why. Everything worked, the doctors said, and they couldn't figure why the kid couldn't talk. Then one day they're sitt around eating Sunday dinner and the kid says, all o sudden, 'The peas are cold.' Mama and Daddy go crazy. T start thanking Jesus and all that and then the old man sa 'Why is it, son, that after 12 years you finally spoke? After of these years of pain you finally spoke. You said, "The p are cold." Oh, what joy. But why, after 12 years, did y finally speak?' " Stud paused and glanced at Dixie. "Then t kid said, 'Well, up to now, everything's been all right.' "*

WHY IS IT EVERYBODY GETS SO MACHO

oon as they get behind the steering wheel of a car?

'hey become instant four-wheel cowboys (and gals), lip-oting other drivers at the first indication of being nosed out he tollbooth or the traffic light getaway, or losing out in a e shift. Literally, drivers get so angry at one another they berately rambam "enemy" vehicles. In several reported es, drivers have climbed out and committed murder.

ven my usually thoughtful, kind and gracious bride of 33 rs' standing scowls and growls with extraordinary ferocity en she feels some other car has impinged on her piece of nway turf.

nid Nemy, that sparkling, star *New York Times* Style nmentator, observed how car driving strains marriages ost to the point of rupture. She quotes one wife: "In 35 rs of marriage, I must have traveled 100,000 miles in the ng direction with my husband. I've screamed and plead- but he's as stubborn as an ox. Every time we get into car the same thing happens. I wear out my throat, and he ends up on the verge of apoplexy."

Another: "I hate driving with my husband; if I say something, no matter what it is, he tells me he already knows it; if I don't say anything and we take a wrong turn, he asks why I didn't say something."

Husbands have a few observations on the subject too: "If Columbus navigated the same way my wife does, he'd have ended up in South Africa." Said another, "My parents were a really loving couple until they got into the car. Then my mother would say 'Watch the red light,' or 'Don't try to pass that car,' or 'You're speeding' and finally my father would start swearing in Greek, and when he was really infuriated, he'd holler 'If you don't shut up, I'll slit your throat.' Five minutes after they got out of the car, they'd be all lovey-dovey again."

With cars smaller, occupants closer and the price of gas soaring, wouldn't you guess that tempers within cars and directed at other drivers will reach apoplectic proportions even more often and quicker?

YOU WANT TO BE THE WHOLE DEAL

no one will want to deal with you—
other than to deal you out.

IF THERE'S NOTHING TO LOSE

and nothing to gain,
what's the point?

LET'S NOT BLOW IT WITH ALASKA

by M.S. Forbes Jr.

The U.S. Senate this month will consider legislation concerning the status of over 100 million acres of federally owned Alaskan lands. The House passed a bill (Udall-Anderson) on this subject last year and the Carter Administration would like the Senate to do the same.

It shouldn't. Instead, it should pass a substitute bill reported out of the Senate Committee on Energy and Natural Resources (S-9) that has the support of Alaska's state government.

Udall-Anderson, backed by most environmentalists, would forbid or severely restrain oil and mineral exploration and exploitation in some of the most promising areas of Alaska. It has other, serious shortcomings as well.

Alaska is so large that preservation and sensible, sensitive development are easily compatible. The Alaskan North Slope oilfields and pipeline, for instance, now supply us with 1.5 million barrels of petroleum a day. The whole operation shows what can be done without inflicting irreparable damage on the environment.

Less than one-third of Alaska has been surveyed and there are tens of millions of acres that have never been visited by man. Under such circumstances, it is silly to put so much of this potentially mineral-rich state in a permanent deep freeze.

With OPEC as powerful as ever and with our dependence on key industrial commodities from overseas growing daily, balanced legislation concerning Alaskan land is vital.

S-9 provides a better balance. It has more than enough environmental safeguards. It should be substituted for Udall-Anderson.

* * *

Too many environmentalists seem to believe that economic growth and a better environment are incompatible. They are not, of course. You cannot have one without the other.

These people forget that preindustrial America was no paradise. When the U.S. became independent, most of the country was pristine wilderness but life expectancy was only 35 years, less than in Bangladesh today. Economic development not only has doubled the life expectancy in this country, but it has provided Americans with the means and the leisure time to enjoy the woods and the wilderness rather than battling them to eke out a living as our ancestors did.

UNSOUND IDEAS

There is growing talk about "reindustrializing" the U.S. *(see* FORBES, *June 23)*, and with it, a plethora of proposals on how to achieve that goal.

One path we should not take involves resurrecting the Reconstruction Finance Corporation, which in the 1930s provided emergency loans to banks and railroads. Financier Felix Rohatyn recommends an RFC to provide "a safety net for certain industries, financial institutions and municipalities in serious difficulties."

More often than not, such an institution would merely throw good capital after bad. America's economic salvation does not lie in more Chrysler-like bail-outs. The Federal Reserve has the means to prevent failures from degenerating into panics.

Another notion advocated by Mr. Rohatyn and others is a commission to recommend "an economic strategy for the U.S. for the next two decades."

The idea that a group of eminent and respectable citizens from government, business, labor and academia can foresee and plot the economic future of this country is rather naive. No collection of planners 30 years ago, for instance, could have foretold the enormous and mostly positive impact the computer and its numerous offshoots have had on our economy.

Economic planning in the political sphere will lead to rigidities that will hamper rather than enhance productivity and economic growth.

Other Comments

Often comments by others stimulate, irritate, abuse or amuse this editor's mind.–MSF

Paying the Price

When Chrysler went to the government for help it had to sell part of its management soul. The company will receive $1.5 billion in loan guarantees, but it also will get over 50 federal officials and consultants supervising the day-to-day operations of the company. These include marketing strategy and pricing policies for the company's new "K" car. The government, for example, frowned on the idea of loading the car with profit-producing options, saying they wouldn't help to sell it. "It's the price they had to pay for the amount of public assistance," said Senator Richard G. Lugar, Republican of Indiana, one of those who put the loan package together.

—*New York Times*

No End in Sight

In his eighties [Benjamin] Franklin rebuilt his town house, adding bed chambers and a fine, big room for a library—something few people venture at that age; most of us contract to smaller quarters. As Franklin was putting his books on the new shelves, a friend came in. Franklin told him, "It has always been my maxim to live on as if I was to live always."

—Catherine Drinker Bowen

Source and Distance

Juan March Ordinas, by his own accounting the seventh-richest man in the world, had long since been canonized in Spain as "the last pirate of the Mediterranean." . . . The March Foundation is now without question the largest and most influential institution of its kind in Spain. The mood of the [foundation] is conveyed by the life-size bronze sculpture of the founder, which stands in the lobby . . . leaning forward in a chair, his chest hollow as if caved in, horny hands gripping the chair's arms, and with the face of a rapacious old bird of prey: its comment is so savage as to make it almost a gargoyle. The implication can hardly be missed that the Juan March Foundation, like so many institutional monuments to the founders of fortunes in other countries, is now disposed to put a distance between itself and the source of its wealth.

—John Brooks,
The Games Players

Cushy Retirement Plan

More than 2,400 retirees now are drawing pensions higher than the biggest paychecks they got while working. One who quit in 1971 with a top salary of $36,000 now draws a retirement check of $46,032. You could guess it; they are retired federal civil servants. Pensions of retired federal workers are by law increased regularly as the cost of living goes up.

—*U.S. News & World Report*

Rude Awakening

One day Emperor Keiko called his son Prince Takeru [fierce hero of Japanese legend] and asked why his brother was not appearing at meal times. Regular attendance at the imperial board was a token of loyalty, and the emperor now ordered the young prince to reprimand his delinquent twin. Five days went by, but still the elder brother did not come. His Majesty accordingly asked: "Why has your brother not appeared for such a long time? Can it be that you did not give him my instructions?" "I have already instructed him," replied the prince. "And how did you instruct him?" "Early in the morning," said the prince, "when my brother went into the privy, I was lying in wait for him. I seized smashed him to pieces, tore of limbs, wrapped them in a straw mat threw them away." By any stan this was a severe penalty for mi some meals, and Emperor Keiko shocked by his son's rough, fearles ture. No doubt to prevent further chief at court he dispatched him t island of Kyushu, where he might pu zeal to better use by attacking the dent Kumaso tribesmen.

—Ivan Morris, *Ho*

If you want to succeed in t world you don't have to much cleverer than other p ple, you just have to be day earlier than most peop

—Ted Morgan, *On Becoming Amer*

Nothing Like Molasses

The story is told of a Tennessee m tainteer telling a friend, "Those pe over in Pigeon Forge sure do love ghum. I had a fool yesterday offer m mule for this here gallon of my mola His mule was worth a hundred do and this molasses could only fetch a lar and a half."

"Did you make the trade, then?"

"Well, of course not, this here's all molasses I've got."

—Charles Ku
Dateline Ame

All for Knowledge

Nothing is not the same thing void; it is nothing at all; and this cannot imagine. . . . Perhaps at death might get the surprise of our lives! poet Shelley couldn't wait to clear matter up, and several times when was out in a boat his friends had a jo prevent him from jumping overboar drown and find the answer.

—John Stewart Co
Living with a Stra

"We bought your cement company, Mr. Timkin, not your whimsy."

Drawing by Wm. Hamilton; ©1980 The New Yorker Magazine, Inc.

He Had a Red Nose, Too?

The producers of the TV game sh "Family Feud" hold auditions around country for contestants. . . . The con coordinators recall an audition w players were asked to give a state wh name had two words in it. "N Braska," one auditioner piped up. S another: "Haw wy Eee. No, that's th words."

Then there is [one coordinator's] p sonal favorite. The host: "Name a fa ous Rudolph." The contestant: "Hitl

—Lawrence R
Wall Street Jour

Productivity Begins With Product.

TI Computer and Terminal Products are designed to improve productivity.

Most businesses today are improving their productivity by improving their information processing capabilities. To help businesses, large and small, realize these improvements more efficiently, Texas Instruments offers computers, data terminals and complete computer systems designed for high performance and low cost of ownership.

For example, the DS990 Computer Family provides solutions to a wide range of information processing needs with hardware and software compatibility that permits easier upgrading of computing power and applications flexibility while protecting your original investment. From standalone small business computers to complete distributed computing networks, the DS990 family's powerful operating systems and high-level programming languages are designed to support your applications software with efficiency.

TI's electronic data terminals are productivity products well known for value and reliability. The *Silent 700** Family of portable and desktop data terminals, some with built-in bubble memory data storage, make quiet work of data input/output with thermal printing at 30 or 120 characters-per-second. And, the OMNI 800* Family of impact printing terminals are setting new standards in reliable, multi-copy printing at 75 and 150 characters-per-second.

Behind these products is Texas Instruments—a world leader in electronics, and a worldwide organization of factory-trained sales and service representatives. There's also TI-CARE†, a nationwide automated service management information system that is designed to provide fast, efficient service to our customers.

For more information on how these TI products can help improve your information processing productivity, contact your nearest TI sales office, or write Texas Instruments, P.O. Box 1444, M/S 7784, Houston, Texas 77001. In Europe, write Texas Instruments, M/S 74, B.P. 5, Villeneuve-Loubet, 06270, France.

Fifty Years of Innovation

For faster information, call:
1-800-257-7850
(In N.J. call: 1-800-322-8650)
Please reference "IBI"

*Trademarks of Texas Instruments †Service Mark of Texas Instruments ©1980, Texas Instruments Incorporated

TEXAS INSTRUMENTS

We put computing within everyone's reach.

Today's Chase

Elizabeth A. Beauregard, Vice President, Chemicals & Rubber Division
Photographed at Celanese Mexicana, S.A., Queretaro, Mexico

"You don't have to be a chemist to understand the basic ingredient of a successful banker-client relationship. It's hard work."

"Banking isn't a matter of cranking out loans for clients. It's being sensitive to their situation, knowing what they need and why. It's being alert to alternatives like leasing and project financing. Or maybe better cash management. But the end result is helping you wherever and however we can."

"It's my first priority to make sure my clients definitely have an advantage when it comes to global financing."

"I'm constantly in touch with my rubber and chemical clients, whether in Mexico, or around the world, because I have to know what's going on between them and our bank all along the line."

"The way we familiarize ourselves thoroughly with specific industries produces big advantages for clients. After all, the more I know about my customers' needs, the more I can match them to Chase's strengths and capabilities."

The Chase Bank

Professional relationship banking
in over 100 countries through a mature network
of branches and affiliates.

CHASE

© CHASE MANHATTAN BANK, N.A. 1980 / MEMBER FDIC

Cozumel

Instead of taking off for home when your Mexico meetings are over, spend a few extra days discovering Mexico's incredible variety and beauty. And make it a real vacation, with your family helping you share all the good times.

Relax and unwind at one of our luxurious resorts lining our Pacific and Caribbean shores. Explore the cobblestone streets and craft-filled marketplaces of our colonial towns. Revel in the thrill of spectacle as you climb a pyramid rising out of the jungle.

Sure, you could go home right away. But look what you'd be missing!

When business is over, Mexico just begins.

See your ASTA Travel Agent

Mexico
The Amigo Country

MEXICAN GOVERNMENT
TOURISM OFFICE
9701 Wilshire Boulevard – Suite 1201
Beverly Hills, CA 90212

Please send me your newest brochure "Mexico, The Amigo Country."

Name _____

Address _____

City _____

State _____ Zip _____
(Please print)

MEXICO
THE Amigo COUNTRY

Secretaría de Turismo • Consejo Nacional de Turismo

on Legree would have a rough time under new bankruptcy laws. He might decide to ome a debtor rather than a creditor.

Caveat creditor

By Michael Kolbenschlag

BOUT TWO YEARS AGO, 36-year-old Thomas E. Dawson Jr. of Los Angeles left a good-paying job as an ıtor to set up his own construction cting firm. But today, some 24 ıs, one heart attack and $70,000 in its later, Dawson is giving up conıg and going back to work for ne else, but he'll have the last Thomas E. Dawson is filing in er 13 Bankruptcy. Under the new uptcy code that went into effect ct. 1, Dawson will be able to walk from those lawsuits to a fresh start though one suit for $50,000, is for related to the construction of one home projects. The whole procevill cost him less than $1,000.

king away from lawsuits, particuor fraud, is just one example of the prerogatives that a debtor enjoys the new bankruptcy code. Indeed, tractiveness of going bankrupt in ca has never been better. That combined with the pressures of a ionary economy, is sending more ore Americans into a legal process n the past, many had resorted to e to avoid. In 1980, filing in bank- is rapidly becoming almost as on as divorce.

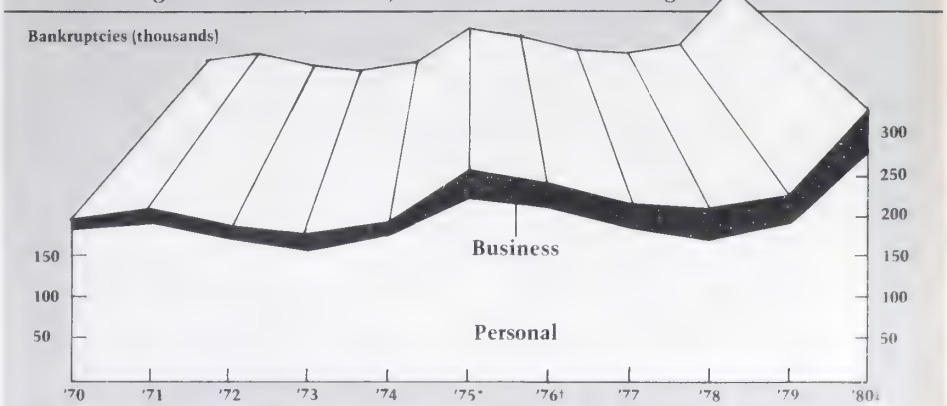
Administrative Office of the U.S. s in Washington is predicting that e 30, the end of its statistical year, mber of bankruptcies in 1980 will ore than 335,000—up 40% from 1979. That means that the U.S. bankruptcy courts in 1980 will have redistributed some $70 billion in liabilities and another $40 billion in debtor assets for a net loss to the creditors of $30 billion. Those figures will break the record for both personal and business bankruptcies set during the U.S. economy's last great recession in 1975.

Just about any way you cut it, the new bankruptcy law benefits the borrower at the expense of the creditor; it is just one example of the steady whittling away of property rights that has been going on for several decades in the U.S. Under the new Chapter 13 provisions a debtor can elect to pay unsecured creditors nothing, secured creditors only a deflated market value. He can void liens, stop repossession, frustrate house foreclosures, thumb his nose at creditors out to garnishee his wages or make him reaffirm his debts. He also enjoys new federal exemptions that allow him to retain at least $7,500 in assets, and generally can tell his creditors to take a walk. What's more, the old law about going bankrupt only every seventh year does not apply to Chapter 13; any luckless or crafty debtor can use 13 as often as he can convince the court it is reasonable.

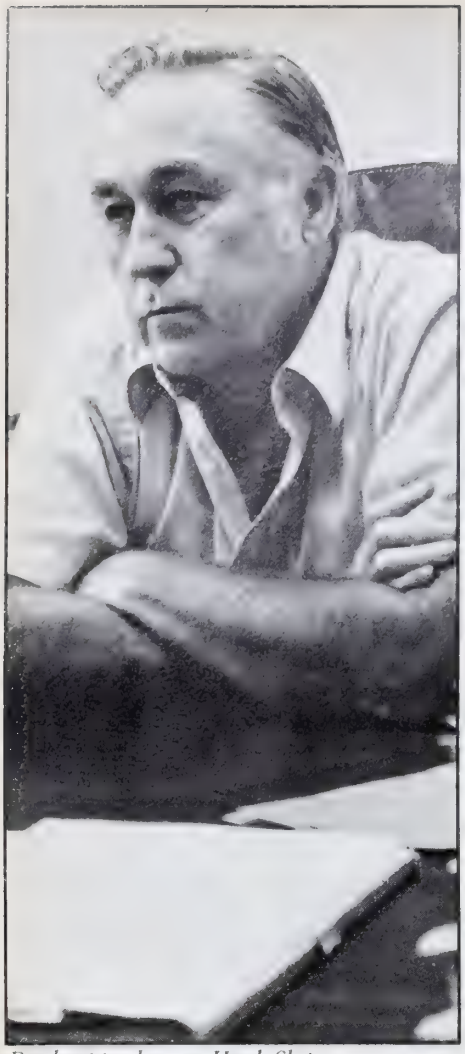
This avalanche of new bankruptcy law has left debtors, creditors and particularly attorneys in a tizzy as they try to figure out what it all means. They don't know what will happen when the first "superstar" bankruptcy like a W.T. Grant or an REA Express hits the courts under the new code. Says Jack Stutman, senior member of Stutman, Treister & Glatt of Los Angeles, one of the leading bankruptcy law firms in the nation: "I think there is real fear out there. I hear them talking at their lunches and there is an increased interest in working things out without going into court." Some West Coast legal experts suggest the only

The boom in going bust

Revised bankruptcy law in combination with the recession now under way and deepening make it certain that the total number of bankruptcies filed in the current year (ending June 30) will be up more than 40% over last year. In the 1974-75 recession personal bankruptcy petitions rose to a record one year sooner than business filings. This time around, there seems to be no lag.



* Peak year personal bankruptcy † Peak year business bankruptcy. ‡ Estimates
Source: Administrative Office of U.S. Courts, Washington, D.C.



Bankruptcy lawyer Hugh Slate
People cry for his legal medicine.

reason computer firm Itel, with about $1 billion in debt, hasn't gone into Chapter 11 reorganization before this is that creditors are worried over what the outcome will be.

Before the Bankruptcy Act's revision, straight personal bankruptcy outnumbered the old Chapter 13 reorganizations 5 to 1. Since the new code went into effect, the total number of Chapter 13 filings has increased 50% on a national basis. Nowhere have the filings been more frequent than in California, a state that traditionally accounts for at least 25% of all U.S. bankruptcies.

Hugh Slate, a former FBI agent who chased down communists during World War II but now services hard-pressed debtors, reminds you of a father confessor as he sits at his desk in Los Angeles and advises an unending string of individuals what the new bankruptcy laws can do for them. In March of 1979 Slate processed 176 bankruptcies; this March the count was up to 479 for the month. "Why, people get right down and cry when they realize what we can now do for them," Slate says. His specialty: making bankruptcy painless for everybody but the creditors.

But even Slate, bankruptcy's leading high priest, gets a little worried when he starts discussing the code. "Maybe they did go too far, but who am I to say?" Perhaps Slate won't pass judgment on the code, but others will. "It's ludicrous to interpret the code as allowing the discharge of 'bad boy debts' for fraud, malicious damage and the like," says Judge William E. Johnson Jr., bankruptcy judge for the Northern District Court of Alabama sitting in Birmingham. "I've turned cases away that I felt were not in good faith."

Robert B. Evans, senior vice president of the National Consumer Finance Association in Washington, blames a lot of the filings not on the code but on aggressive lawyers who are keying in on C ter 13. "The customer wants to pay debt but the lawyers are telling him to," he complains. He has a point cause across the land lawyers are buying space in the newspaper classi ads to tout their bankruptcy skills.

Judge Roy Babitt, a 15-year veterar the bench of the U.S. Bankruptcy C for the Southern District of New Y sums it all up rather sadly. "When I became a judge, bankruptcy was so thing to avoid at all costs," he says, sl ing a weary judicial head. "Those o who grew up during the Depress know the necessity of paying off de That attitude would appear to exist longer in America." ■

Collapsing on bad news, Pullman's stock su denly recovers most of the loss on tremendo volume. Is the takeover season starting agair

What's going on at Pullman?

By Bob Tamarkin

Is Pullman Inc., neck-deep in management and legal problems that have rankled shareholders and perplexed analysts, a takeover target? The Chicago-based $3.2 billion railroad car and engineering-construction firm insists no overtures toward merger or acquisition have been made. Nevertheless, in recent weeks there have been strong indications a suitor is stalking.

The name that frequently crops up: J. Ray McDermott. The cash-rich New Orleans oil-rig contractor reportedly has been a buyer of Pullman stock through Houston investment banker Underwood, Neuhaus & Co. McDermott offers only a curt "no comment" when asked if it has been buying the stock. But it is sitting with over half a billion dollars in cash and equivalent—more than enough to buy all of Pullman's 11.1 million shares at a 50% premium over recent market prices.

This much is certain: Former Pullman Executive Vice President George Green and another big shareholder, Walter V. Berry, have met with an investment banking firm interested in tendering their shares, which total about 1.5% Pullman's outstanding stock. Green a Berry decline to name the investm banker or the tender price of the sto However, Green, 72, who spent 21 ye at Pullman before retiring in 1973, mits he recently made a trip to Texas anticipation, as he puts it, "of interest someone in Pullman." Says Gre "We've tried for two years to clean from the inside. It can't be done intern ly. It has got to be done externally."

Together with Berry, who ow 152,000 Pullman shares, Green (owner 10,000 shares) waged an unsuccess proxy fight against Pullman in 19 They won the backing of only 22% Pullman's shareholders. This year th stopped short of another proxy battle l cause, Green says, "We didn't think t institutions would support us."

The source of Green's frustrations Pullman's decision last year to get out the railroad passenger car business, lea ing its archrival, Philadelphia's Budd C a subsidiary of West German steelmak Thyssen A.G., with a near-monopoly the markets. The decision may ha been premature, given the market con tions. While Budd has the capacity

up to 300 cars a year, the annual nd for new passenger cars in the s expected to be between 3,000 and over the next five years. The pull- as costly. Pullman had expected a million charge to aftertax earnings, y year-end the charge had grown to million, causing Pullman's overall ngs to drop 25%, to $48 million. an is bracing itself for another $40 on to $50 million in losses this year unfinished work on an Amtrak act for 284 cars. Additional losses result from the New York City it Authority's $112 million law charging that 754 Pullman-built ay cars have faulty undercarriages. lman's first-quarter earnings ed 31% and the dividend was cut st in half, to an annual rate of $1 a —a move that surprised most se- es analysts. In March Pullman told sts meeting in Chicago that 1980 s would be around the 1978 level of a share. Six weeks later it revised rnings estimate, placing it below ear's depressed $4.34 a share. Sud- analysts who had been recom- ing Pullman stock began question- ot only Pullman's strategy but its cial controls as well.

ere has been a great deal of manage- turmoil at the company. An esti- l 100 executives who left in the ew years are now working for Pull- competitors. In March Pullman ht in Silas Keehn, 49, as chairman. mer vice chairman at Pittsburgh's n Bank and a Pullman director 1972, Keehn is expected to succeed

Clark Lattin, Pullman president and CEO
Last head of independent Pullman?

CEO Clark Lattin Jr., 64, who plans to retire in 1981. Lattin, a capable but painfully shy person, was plucked from Pullman's engineering division 18 months ago to replace Samuel B. Casey Jr., who had headed Pullman for ten years. Casey's departure followed an investigation of Pullman management by a group of outside directors headed by Keehn.

Pullman stock plunged more than ten points, to $20 per share, following the bleak first-quarter news but snapped quickly back as the normal 33,000 shares traded daily eventually began to swell. By early May the stock had recovered to around $32 a share, with volume exceeding 100,000 shares on eight days and approaching 300,000 shares twice. In late April the surge caused a temporary halt in trading. Pullman issued a statement saying it "speculates institutions now consider us a turnaround possibility. But, counters an analyst: "That million-share turnover is just too many shares for normal trading and arbitrage."

The stock is currently selling at around 28, down from a 15-month high of $43.50. Pullman's book value is $39.75 a share—nearly 50% below the value of just what its leased railcar and truck trailer fleets are worth. But that's only a small part of Pullman's attraction. Forgetting about passenger cars, it is the world's largest maker of railroad freight cars, a business that, while badly hit by the recession, has considerable long-term prospects. Pullman is the second-biggest maker of truck trailers and containers. Its Pullman Kellogg division is one of the leading designers and builders of chemical and petroleum plants. Pullman also has two other engineering construction subsidiaries plus financing and property/casualty insurance operations. For a company interested in either engineering or transportation or both, Pullman is a virtual treasure trove in spite of its well-advertised troubles.

There's a good deal of smoke here, which probably means there's fire. But, then, all this is hardly surprising. The cost of money is way down now and the stock market is loaded with screaming bargains. The takeover game, in suspension since the Volcker shocks, looks to be heating up again. ■

carriages of Pullman's ill-fated R-46 subway cars awaiting repair in Brooklyn shop
cs or no, Pullman seems to be looking good to somebody.

You almost know what a cold-minded consultant would advise McDonnell Douglas: Get out of commercial aircraft. But business isn't always run by the balance sheet.

What price pride?

McDonnell Douglas' new F-18A Hornet fighter
If only the civilian business were as solid. . . .

By Subrata N. Chakravarty

FLYING INTO LAMBERT ST. LOUIS I national Airport, home of McDo Douglas Corp., one sees row upon r McDonnell's famous F-4 Phantom f er bombers parked in front of the har of the Missouri Air National Guard. alas, the vast majority of comme planes pulling up are made by Boein

On the one hand, McDonnell Dou has a large and superbly successful m tary aircraft business, as well as a pr able and growing missiles and space sion. On the other hand, it has a pe nially ailing commercial aircraft busi that has yet to break even over the year period since the merger of Dou Aircraft and McDonnell Aircraft in 1 So, McDonnell Douglas has some decisions ahead. In a market domin by Boeing, McDonnell Douglas is a second and slipping. In commercial craft it is likely to fall behind Ai Industrie, the European combine wh is bulling its way into the market w two new medium-size wide-bodied craft. Last year Airbus Industrie garn more than twice as many orders fo A300 and A310 Airbuses as McDon Douglas did for its DC-10.

McDonnell has been hit by a tr whammy with the DC-10. The ma for commercial aircraft is in recess Negative publicity surrounding the cr of an American Airlines DC-10 in Ch go a year ago made passengers reluctan fly the plane for a while, and may h contributed to the fact that in the f quarter of 1980 McDonnell Dou snared only four new orders while Lo heed harvested orders for eight L-1011 a clear reversal of the former patt Finally, soaring fuel prices have led t shift in the types of planes airlines pr to fly. As a result, many airlines h begun to shift to a mix of the larger 7 and the smaller Airbuses, and some even planning to sell off their DC-10s.

Even the workhorse DC-9 program yet to turn a buck. Competing head head with the Boeing 737, it has been more successful in terms of aircraft s than the 737. But with over 1,000 craft sold, the program is still in the r The latest reason: McDonnell Doug has spent a considerable amount to velop the DC-9 Super 80, a stretched D 9 with quieter, more fuel-efficient gines. The plane has been well recei by the airlines with 86 planes on ord but the very success of the DC-9 poi up McDonnell Douglas' problem in t commercial aircraft market. Each tim program gets close to breaking even new plane must be developed requiri enormous new investments. After years and more than $15 *billion* in co mercial aircraft sold, McDonnell Doug can claim a "modest but inadequate pr it" only in accounting terms—that is,

ding the deferred tooling costs on C-9-80 and the $343 million it is recover on DC-10 costs.

ost McDonnell Douglas about $1 n to develop the DC-10 and that ears ago. Analysts estimate it will he company at least twice that to op an Advanced Technology Mediange Transport (ATMR) to compete Boeing's new 757. For a $2.6 billion s) company, a $2 billion-plus gamuld be fatal.

this must be almost excruciatingly ating for Sanford N. McDonnell, ent and CEO. McDonnell Douglas talizingly close to recovering the costs involved in developing the). Of $1 billion spent, the company ready gotten back $650 million. It d it needed to sell 400 craft to break 356 are either delivered or on firm But the longer it takes the comto sell the remaining 44, the less recovered depreciating dollars will rth in real terms.

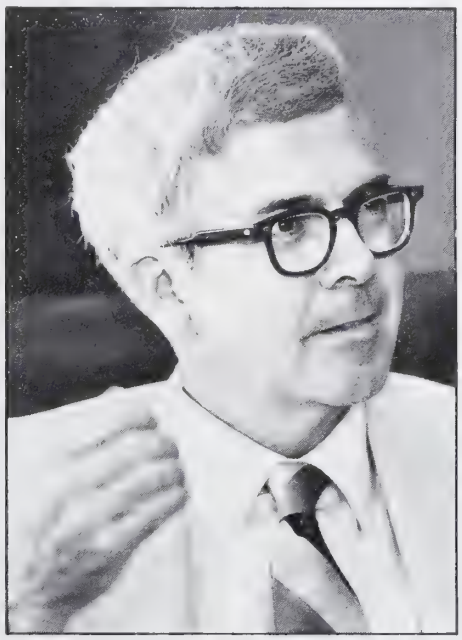
the longer term, however, the on is: How many commercial airbuilders can the market support? n you have two aircraft going head ad with nothing to differentiate then both are losers," says Mcell Douglas Treasurer Jerry G. n. "That's what happened with the) and the L-1011. Neither has been program."

Donnell officials claim that won't n with the ATMR because, where already announced 757 is locked 978 technology, the ATMR can use advanced technology to signify improve its operating economics. e working very hard on it and spending a lot of money on the m," says Sandy McDonnell. e moving toward a potential n as fast as we can."

Donnell Douglas tried to get foreign pace firms to join it in launching TMR so as to share the risk equally. that didn't pan out it said it would alone if suppliers would agree to some of the risks and major airwould place large up-front orders. of that will probably happen, but enough to reduce the risk signify. McDonnell Douglas has not yet ned the ATMR and some analysts e it never will. "They'd have to e the whole company's assets once and I don't think they're prepared that," says analyst Wolfgang De of Morgan Stanley.

t leaves McDonnell Douglas high y in commercial aircraft. With inent interest in a stretched DC-10, t in fleet mix to larger 747s and er A300s and A310s, and a potential any-breaking risk with the ATMR, ns unlikely that McDonnell Dougn bring on the new planes it must to remain a major factor in the business into the next century.

Without losses from commercial aircraft, McDonnell Douglas' earnings from operations would have been almost 25% higher over the past three years. McDonnell Douglas has long been a leader in military aircraft. In contrast to other defense contractors, business has not been a boom and bust business for McDonnell primarily because of its ability to get new contracts on a steady basis. Starting with the original Phantom I right after World War II, McDonnell has always had military aircraft in production. For the past several years it has been the leading seller of military aircraft and accounts for some 40% of the $10 billion budgeted for the purchase of fixed-wing aircraft in 1981. The company is making the Air Force's F-15 Eagle fighter and has started production on the Navy's F-18A Hornet—a $29.6 billion program, which will to continue into the 1990s. "Most companies aren't fortunate enough to have *two* such programs," says Sandy McDonnell. "We have three if you include the AV-8B." The AV-8B is the advanced Harrier Vertical and Short Take Off and Landing (V/STOL) fighter developed for the Marines by McDonnell from the British Aerospace AV8A, already in Marine service. Although the Administration has not requested development funds for the AV8B in the last three budgets, Congress has authorized ever-increasing funds each year and it seems likely the Administration will eventually authorize production.



McDonnell Douglas' Sanford N. McDonnell
"Boeing didn't have it easy either."

Similarly, Congress has not permitted a slowdown in the F-18A procurement rate. And while the F-15 is nearing the end of the initial buy of 749 planes, it can easily serve in other roles for which the Air Force has expressed a need. The Air Force is also looking into an MDC proposal to supply an additional 500 F-15s at about the cost of 600 of the less capable F-16s built by General Dynamics. Such follow-on programs can keep the F-15 in production into the 1990s.

McDonnell Douglas has also won a contract to supply an initial 20 KC-10 tanker/cargo aircraft to the Air Force. The plane is a derivative of the DC-10 and the eventual buy may total 100 planes at a cost of $50 million or more apiece. McDonnell is now working busily on its entry for the multibillion-dollar CX contract—a cargo plane to compete with the Lockheed C-5A.

Does anyone seriously believe that the U.S. will not be spending more on defense in the current decade? That it won't launch a concerted effort to recreate a military strength worthy of its role as defender of the Free World?

Aside from the Pentagon, F-15s are being sold to three other countries and the F-18A recently kicked off its international career when MDC won a $2.4 billion contract to supply 137 of the planes to Canada. It is actively competing in Australia and Spain as well as in other countries.

Almost as successful has been McDonnell Douglas' far smaller ($792 million sales in 1979) Astronautics division, which has the multibillion-dollar Harpoon antiship missile, the profitable Delta rocket, a piece of the space shuttle and the guidance system for both competitors of the cruise missile family.

Finally there are McDonnell Douglas' diversification programs: Principally the automation services division that provides computer-processing services to outside clients, especially to hospitals, and Microdata Corp., acquired for $72 million in 1979, through which McDonnell Douglas hopes to enter the small-computer market. The two, coupled with its two electronics divisions, produced up to $250 million in outside revenues and $7 million in earnings—a sizable outfit.

So, why bother making commercial aircraft? Why indeed?

The company is justly proud that it has kept the Douglas flag flying on commercial airlines throughout the world—maintaining a presence that is a half-century old. Sandy McDonnell sits in an office decorated with tartans and other proclamations of his Scots heritage. "Boeing didn't have an easy go of it either but they're making a lot of money now," he says and adds, "We have that capability too."

Capability it certainly has: The DC-10 and the DC-9 are fine airplanes. But is staying in the game worthwhile—against not only Boeing and Lockheed and the Europeans but, down the road, the Japanese as well? Sandy McDonnell clearly thinks it is. You can almost hear him thinking: There are some things you can't put a price on. ■

Xerox made a couple of monumental mistakes in the Seventies and has already paid the price. But it is clearly on the move again.

Xerox— back on the road to success

By Subrata N. Chakravarty

IT MAY BE DIFFICULT to think of Xerox Corp. as a turnaround company, but that's what is happening to the legendary success story of a decade ago. Back in 1972, Xerox shares sold at a price/earnings ratio of 54. Today they sell for 7 times earnings. The legend itself—of the company with the Midas touch—blinded the company into notable failures and oversights during the 1970s. Now Xerox is coming back.

Though Xerox probably won't retrieve much of its lost market share—it once had virtually all of the market for plain-paper copiers—it will probably be able to halt the precipitous slide of recent years. That won't be easy, because it will have come, in part, through price-cutting against Japanese competitors. However, Xerox has regained lost momentum and has a strong foothold in some new growth markets.

The company that cleaned up from the world's obsession with paper is looking to a future in which it will prospe participating in a new obsession— elimination of paper, which is expe to bring into being a grand design ca "the office of the future." Along the v Xerox is moving into new product a and associations with other manufac ers in the already hotly competitive formation processing industry.

First, however, Xerox took a beatin the copier business. "They were so amored of the market potential of 9000 family [the high-speed, high-out end of the business] that they were bl sided on the low end," says David gensen of Data Quest, which does vestment research on high-technol industries. "Xerox blew one of the gr est monopolies of recent times."

Xerox President David T. Kearns fully concurs: "We really should h been thinking about the market o much broader basis." Xerox ignored coated-paper copiers that dominated world copier market before Xerox in duced the first plain-paper copier. the coated-paper copiers served a mar much larger than anyone knew.

That market comprised all the offi that needed a low-priced copier to m only a few copies on coated paper at sl speed. Then in 1974 the Japanese be moving in with cheap, efficient, pla paper copiers. They took trade-ins

Xerox Chairman © Peter McCollough

Playing catch-up to regain some of the market Xerox gave away.

l copiers, and the market took ut not with Xerox, which offered ne machine, the 660. That copier oth obsolete and expensive.

vasn't that Xerox had no market gy at that point; it simply had a l one. It was going after the high- business: the medium- and high- t machine market. Just as the Japa- vere moving in, Xerox was trying nteract IBM's entry into the medi- olume segment; instead of cutting in the low end, it raised them. des Kearns, "We focused on the mportant things, but I consider it a gement failure that we didn't do other things as well."

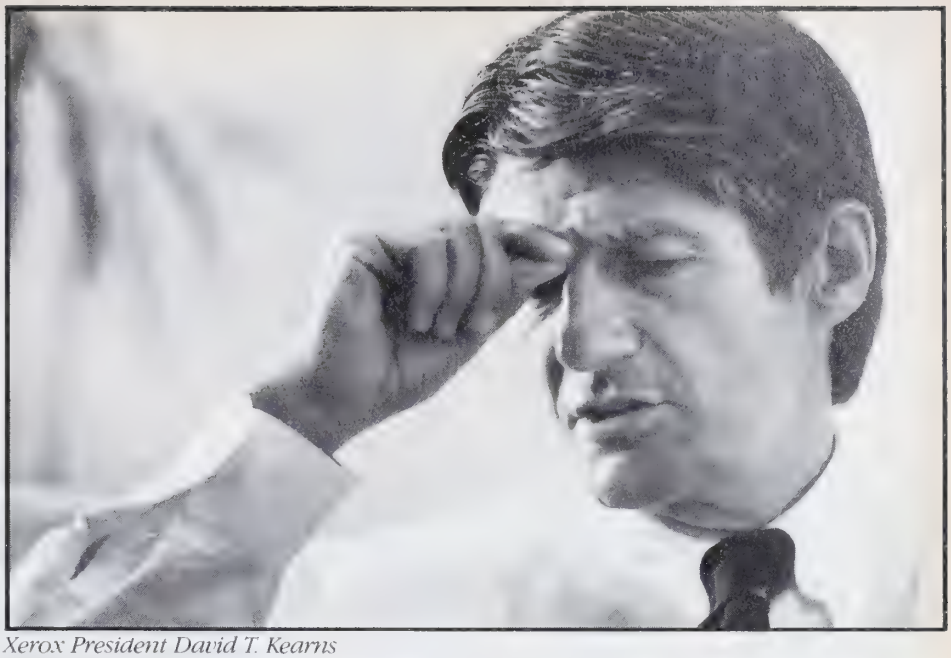
can say this for Xerox: Once it realized where it had gone wrong, d desperately to change. In four from 1976 to last year, it intro- six machines against the Japanese . The machines, except for the ntroduced last year, were not very competitors but they filled out the ct line. They have helped Xerox major gains in the low-volume end market. From 25,000 net place- in the U.S. in 1978, Xerox sales in egment jumped to 45,000 last year. Quest's Jorgensen predicts that be- of its marketing muscle, Xerox will ahead of its major competitor, Sa- which distributes copiers made by of Japan, in 1981. (That formidable enture will have dissolved by then oth Savin and Ricoh will be distrib- their own copiers.)

ough Xerox' entries in the low- e market have so far not equaled panese machines, Jorgensen ex- Xerox to introduce a machine late ear that will match both the capa- s and the price of the best Japanese cts in that field. Ironically, this achine is itself a product of Xerox' se affiliate, Fuji Xerox.

ou can't beat 'em, join 'em," says Chairman and CEO C. Peter lough, referring to Xerox' Japanese nes and its plans to bring in parts ubassemblies from Japan to boost ctivity. Xerox plans to join them in ways that would have been un- ble a few years ago.

one thing, the company is looking ernative marketing techniques be- its vaunted and high-paid sales s it tries to penetrate even deeper e small-copier market. By the end s year, there will be seven Xerox stores selling Xerox and other prod- r small offices. If that test works, mpany will open more such out- erox may also sell small machines dvertising, telephone solicitation stribution through retail dealers.

aps the most radical departure of hat Xerox is considering accepting ns. That goes with its efforts to p sales versus leases of machines.



Xerox President David T. Kearns

"I consider it a management failure that we didn't do other things as well."

Says Kearns, "When you don't take a trade-in, you exclude yourself from a fairly large share. Are we considering selling a competitor's machine that we take in? The answer is yes."

The most important change in Xerox' perception of itself is represented by its decade-long moves into the market called the "office of the future" by jargon fans. Basically that refers to all the devices and systems that are moving clerical work off paper, out of file cabinets and into electronic equipment and improving office productivity through automation. Though generating pieces of paper will still be necessary at various points in these systems (so copying machines will still be present somewhere), the trend is toward putting information into magnetic memories and retrieving it on cathode-ray screens for processing.

Says Jacob (Jack) E. Goldman, Xerox' chief scientist: "In the late 1960s, Peter McColough redefined our company. It's the old question of whether you consider yourself as providing a function or a product. We're not a copiermaker. We're an information company that got into the business via copiers."

Or maybe Xerox was a copiermaker that is getting into the information business. In any event, there are already dozens, maybe scores of companies in some part of this broad, evolving field; the office of the future will be assembled gradually—an evolution rather than a revolution. But if anybody has the capital and the technology to create complete systems—whatever *that* will come to mean—it will almost certainly be the likes of IBM, Exxon and Xerox.

Xerox' first effort to get into the business was back in 1969 when it paid over $900 million in stock for a computermaker called Scientific Data Systems. Xerox made the mistake of trying to move the company up to bigger products instead of moving down to what was about to become the hot minicomputer market. In 1975 Xerox finally bailed out of what had become a disaster.

At the same time, though, Xerox has been moving in other ways. In 1972 it acquired Diablo Systems, inventor of the "daisy wheel" printer, a device that is faster than IBM's renowned ball printer. Xerox claims it has over half of the daisy-wheel printer business. Shugart Associates, picked up in 1977, makes over 40% of the floppy-disc drives used in the world. And last year, Xerox acquired Century Data Systems, which supplies computermakers and users with about 10% of the rigid-disc drives now used worldwide. The company is also at work on other developments involving new technologies such as its 9700 laser printer and a joint venture with Thompson CSF of France to develop an optical-disc memory. Xerox moved into the communications business through its proposed XTEN satellite network and the 1979 acquisition of Western Union International.

Along the way, the company introduced its 800 electronic typewriter (which uses a daisy wheel) in 1975 and followed it with the 850 word processor in 1978. Xerox waited too long to introduce them and neither machine was on the frontier of technology. But, as Data Quest's Jorgensen says, "Xerox learned from its mistakes, and its new people are tigers." In December Xerox made another try with the introduction of its multifunction "work station," the 860, which is said to be as advanced as anything in the market now. And it has another, even more advanced unit in the works. In December Xerox came out

with what it calls Ethernet, a local-area communications network. Ethernet ties a building or group of adjacent buildings together with coaxial cables that can connect as many as several thousand work stations. These stations include word processors with their own logic and memory, printing devices, electronic data bases and files, electronic mail and copiers. Ethernet need not, however, contain a big mainframe computer, which is the expensive heart of IBM's competitive Systems Network Architecture. So an Ethernet system can expand gradually and inexpensively, as needed. If the customer has not already taken the plunge with a large computer, the cost of entry for a system is not a multimillion-dollar commitment.

Xerox has installed Ethernets in the White House and the Congress, where they have been well received.

But the company wants to move faster than its own technology and product lines will permit. In May Xerox set the industry on its ear by announcing it is completing work on common standards and specifications with Digital Equipment Corp., the pioneering minicomputer-maker, and with Intel, the biggest manufacturer of microprocessors. The plan is for DEC and Intel equipment to link up with Xerox' Ethernet system.

DEC knows better than Xerox how to make the kind of machines that will fit best into its system, and Intel is as advanced as anybody in the realm of very large-scale integrated circuits, the superchips that will power information systems of the future and make them economical. Clearly the move will advance the versatility of Xerox' system by letting outsiders build pieces to tie into it. And by reducing its own R&D, Xerox can cut its costs and make the evolution come faster.

McColough describes the development this way: "We can go into your company and put the Ethernet through and put some of our own equipment there. But we can tell you that you don't have to stick with Xerox. You can go to DEC, Intel or anybody else. The IBM approach says: 'We'll put our system in here with IBM equipment, but you won't be able to get much else.' " This compatibility argument is an extremely effective marketing tool for customers leery of total commitment.

That also means that Xerox will be competing with other manufacturers for equipment that will go into the system it markets. On the other hand, Xerox components will be usable in competitive systems, too. This tie-in, therefore, makes Xerox far more competitive at this stage with IBM, especially when nobody knows for sure what kinds of systems will finally win the game, if there ever is an ultimate winner.

Meanwhile, Xerox continues to prosper in the upper end of the copying business, with profitable products such as the laser-printing two-copies-a-second 9700. Overseas, where Kodak is still reluctant to expand, Xerox got 47% of its $7 billion in revenues last year and about the same share of its $563 million earnings. Xerox is also negotiating for a joint ven with China and a deal with an In conglomerate for what may well be two biggest untapped plain-paper co markets on earth.

Clearly Xerox is moving again. ■

You're scared and he shows you salvation. I an ancient technique, but Howard Ruff pil up millions of dollars a year doing it.

A dream product

By John Merwin

JOHN TERRY JEFFERS USED TO sell IBM. Now he sells Howard J. Ruff. The IBM wardrobe remains: gray pinstripes, white shirt and black wingtips. So too does the talk about "customer service," along with all the other principles of selling computers.

"First time I met Howard," says the 39-year-old Jeffers, once an IBM regional marketing representative, "I thought he was way-out. But one of the things I saw in Howard was that he was a great performer. And what good's a message if no one understands it? I said, 'Howard, you're an incredible product.' "

Financial adviser Howard Ruff, popularly known as a gloomy economic prophet and author of mammoth seller *How to Prosper During the Coming Bad Years*, isn't an IBM computer, a bar of Dial or a bottle of Perrier. By any measure, however, he's one helluva product. Just look at what he's building.

Ruff and Jeffers are principal owners of Target Publishers of San Ramon, Calif., umbrella for a panoply of Howard Ruff promotions, led by Ruff's semimonthly newsletter, the *Ruff Times*, plus radio and television programs and a handful of other ventures. The $125-a-year *Ruff Times*' circulation has climbed to 142,000 from only 50,000 just over a year ago, Jeffers claims.

Target's sales this year, Jeffers says, are likely to pass $25 million, dwarfing the $1.5 million the company took in during its first full year, 1976. Ruff's newsletter alone generates subscription revenues greater than many major national magazines and leads one of the cleverest multimedia marketing machines in the b ness. Operating with a tiny capital vestment, Target keeps turning it and over, surging forward on a tidal w of subscription revenue.

What's Target's secret? It's in numbers. This year Target and *Ruff Ti* will send out 25 million to 30 mil direct mail solicitations. Most hit m boxes at bill-paying time, just after first of the month—a critical psychol cal edge, Target research has discove Less than ½ of 1% draws new subsc ers, but at $125 a shot, relatively few subscribers will finance millions m direct mail pieces. Here's why: Exper associated with each $125 subscript are only $50. Most of the remaining is plowed back into more mailings. T holds taxes down while building the s scriber base.

First-year subscription profit, says, is $15—$125 minus the $60 it c to find that new subscriber and the $5 takes to fulfill his subscription. The s ond year is another story—a $65 pre profit. Because Ruff isn't spending $5 find the second-year subscriber, $65 the $115 renewal subscription is pre gravy, and that pretax profit grows ra ly as the subscriber base expands. doesn't take an M.B.A., which Jef earned at Berkeley, to see the snowb effect when nearly 100,000 first-y subscribers are up for renewal. Jef projects that two-thirds will renew that's true, it's clear that every renewa money in the bank: Disregarding the rect-mail machine, *Ruff Times*' actual torial costs are almost invisible for a p lication that claims to be grossing million, and its paper, printing and m

sts are also relatively low. "If the is worth $125, people will contin- pay it," says Ruff, the 49-year-old nist-without-portfolio. "What we n the money is really none of their ss."

thing Ruff has done with his share untarily pay what remained of 00 in debt stemming from his bankruptcy as an Evelyn Wood g Dynamics franchise owner. Ruff l an important lesson from the Wood debacle—to surround him- ith sophisticated administrative ting minds like Jeffers, so it n't happen again. Now Ruff, who even have an office at Target, at his home in nearby Modesto vels around the country selling his nic tonic at lectures and on talk Jeffers and his bright-eyed, smil- ce staff of 105 stay in San Ramon, g the store.

's remarkable ability to sell him- d his philosophy was learned the ay. He pushed food supplements, ics, cleaning products, weight- ograms and freeze-dried foods. "I ump on fads and abandon them," niles. "I accumulate them. I guess uld accuse Michelangelo of jump- a lot of fads, too, whatever they'd n to do."

y his product is an economic e, which is easy to poke fun at, arly has a significant following. months ago Ruff attracted nearly ationwide followers of all ages to Diego annual *Ruff Times* conven- $95 a head. A few weeks later at r organization's conference, Ruff to an affluent Palm Springs audi- 200, at $1,200 apiece. These out- peaking engagements generate fees for Ruff, and also give his tter terrific exposure. Ruff's ex- nary speaking talents, buoyed by c jockey quips and cliches, keep ces across America attentive he drives home his fundamental e.

ow his message is well known: caught in rampant inflationary which one day, if uncorrected, will cataclysmic social, political and nic chaos. It's an old formula but it orks: First you take an already flock, preach a little fire and one and then show them the way ation; every evangelist preacher the technique. It helps Ruff that e newspapers and magazines all ple that the economic situation is t, but usually do so in terms that y people cannot understand—per- ecause most media people don't tand it either. Ah, but Howard Howard, the product, is someone nderstands what you don't," says "He makes it personal." More ant, Ruff offers a solution, simple directions on how to save yourself by buying gold, silver, real estate, bonds and freeze-dried food.

Target receives about 4,000 calls a week through its toll-free "hot lines," giving Target a chance to deal with Ruff's followers personally. Counselors explain Ruff's advice on real estate, silver, bonds or whatever, if necessary checking Ruff's book *Howard Ruff from A to Z.* Not only do readers get personal attention, which they don't get from other financial newsletters, they get answers to simple financial questions which they might betoo embarrassed to ask a friend, like "What's the difference between a money market fund and a bank CD?"

prose was worth charging for. But what I've added to that ego, which a lot of us advisers have, is some pretty heavy marketing skills. You can go out there and get 5,000 people to sign up for your newsletter," Ruff explains, "because there are 5,000 people who will sign up for any hard-money-oriented newsletter. We made a decision to do something other than preach to the already converted. We made a decision to reach beyond them."

Ruff has reached beyond with a gospel that makes some surprisingly conventional points despite its alarmist packaging. Ruff's characterization of "a collapsing currency" for instance, is nothing more than a dollar which lately has lost 15% of its buying power because of infla-

Gloom-and-doom financial adviser Howard Ruff

Enough alarm to create action without sounding like a scream in the night.

Isn't that an expensive service to render? Sure, but it is also a clever marketing tool. While readers (Target calls them "members") get practical advice and a sense of belonging, Target is running one of the best marketing surveys around. As long as those phones ring 4,000 times a week, Howard Ruff won't have any trouble gauging what's worrying his flock, and will be able to adjust his message accordingly.

But back to the product himself: Howard Ruff, a warm, bright man who is one of the best walking, talking self-promotions around. While many financial advisers cloak their advice in carefully worded, institutional talk, Ruff practically wears out the words "I think" in writing and speaking. If Ruff's followers are looking for a self-assured leader, they've got one. "In this advice business," Ruff says, "you don't even get into it unless you have considerable ego. Otherwise you wouldn't feel that your deathless

tion. His prediction that "money will be frozen in banks" came true a few months ago, Ruff insists, because a handful of banks scattered around the country briefly exercised their legal right to require 30-day advance notification of passbook savings withdrawals.

And while he urges followers to keep a year's supply of food in the basement for chaotic times, he is no hard-money fanatic and has a shrewd sense of the practical. Last fall during gold and silver's wild price jumps, Ruff, worried by the insane markets, dropped his long-standing "buy" recommendations on the two precious metals. Ruff's advice, which proved premature, may have cost nimble readers profits on the way to $850 gold and $50 silver, but it also saved an equal number of amateurs some horrendous losses when the metals crashed back to earth a few weeks later. And this spring, just before interest rates turned down, Ruff urged readers "to throw caution to

the winds and buy bonds." His timing was excellent—bond prices rose sharply.

"You get people's attention by shouting," Ruff says, but he has toned down the shouting since his 1974 book, *Famine and Survival in America,* which today he calls "a crummy book filled with half-baked economic theory. I hadn't learned the art of creating just enough alarm to stimulate action," Ruff concedes, "as opposed to sounding like a scream in the night."

While Ruff's self-promotion is an excellent marketing tactic, at times he loses control of his own puffery. Last fall on a TV program a panelist said he had read material published by Ruff claiming that in the Eighties Ruff would be one of the most important men in America. Ruff replied, "I've never read that material." The panelist shot back, "It's in your publicity release." Another example: When speaking of his "crummy" book (*Famine,* etc.) Ruff cautions FORBES, "Don't tell people it was a bestseller. It wasn't even in the bookstores." Ruff's trumpeting publicity profile describes the book as "a 1974 bestseller."

Much of Ruff's public relations effort is aimed at getting him on nationwide talk shows, where Ruff's performing abilities, a principal reason for his success, shine. So far he's made the Phil Donahue, Merv Griffin and David Susskind shows, after costly lobbying by Ruff's Los Angeles public relations firm. "It takes a lot of work from a very competent PR firm to get that job done," Ruff says, "but we've found that's our best marketing tool."

Ruff's other best marketing tool is his own television program, *The Ruff House,* seen in 285 TV markets. Ruff's performing abilities, dating back to his days as a 15-year-old singer in Gilbert and Sullivan operettas, blossom on *The Ruff House.* He's very quick with funny quotes and cliches, and subtly takes issue with his guests, such as William Simon, ensuring that his audience perceives him as a financial wizard, not just a talk show host. Ruff's radio commentaries, launched in March, already are broadcast from over 200 stations.

What if long-term inflation drops and the economy turns rosy? Will Ruff, his panicky message and trenchant marketing machine go the way of buggy whips? "If the nation were genuinely confident of its leaders, its policies and its money, I would be canceled for lack of interest," Ruff admits, and then hastens to add, "with my *present* message."

Ruff continues, "I'm a professional financial adviser. It's my job to help people enhance their capital in good times or bad . . . it really doesn't matter. I'm equally comfortable professionally in either environment.

"In fact, I'll guarantee you something that will materialize in the next five years," Ruff continues, his voice rising. "Just when everybody else is saying, 'The end of the world is near, we're about to crash through the bottom, Western civilization is doomed,' my long-term faith in the future of this economy is going to be saying, 'These guys are crazy. Now is the time to make a long-term bet.' We'll be buying up stocks. We'll be doing whatever we have to do. I'll ch the name of my newsletter to *Times.* I'll change my name if I have He may have to, because partner Jeffers signed a long-term lease on t IBM computers grinding away be the lines, life center of Ruff's fabu marketing machine. ■

Chemicals, booze, titanium and insurance an analyst describes National Distillers Chemical Corp. as a "crazy quilt." Maybe but Drummond Bell has made it work.

It may not make sense, but it makes money

By Stanley Ginsberg

A LOT OF BOURBON has passed under the bridge in the 56 years since National Distillers & Chemical Corp. rose from the ashes of the old Whiskey Trust. Today, National counts among its businesses chemicals, wine and liquor, nonferrous metals and insurance. A conglomerate, of course, but a rather special kind—a product not of the stock market of the 1960s, but of its own history. For Drummond C. Bell, National's 64-year-old chairman, the past continues to point the way toward the future. "Almost from the very beginning a company has a personality and character, just like a person," he reflects, arm flung across the top of his chair. "We started out as a distiller of alcohol from grains. After the war, when petrochemical technology took off, the chemical industry forgot where it came from. Now I intend to bring renewable resources back into the mainstream."

If this kind of talk—renewable resources, mainstream—makes you uneasy, we hasten to add that Bell's actions have matched his words. In his ten years at National's helm, the company's revenues have trebled to $2.1 billion, and earni per share ($4.04 last year, including a cent nonrecurring gain) have more t kept pace; in spite of several troul divisions it netted 18% on stockhold equity last year. A financial man wit years at Montgomery Ward before join the metals business, the craggy-fac salty-talking Bell was acquired by Nati al in 1961 along with his then-emplo Bridgeport Brass.

When he talks about renewable sources and about the chemical indus forgetting its origins, Bell is talking i way about National's own history. tional got into chemicals via grain a raw material, but followed the rest of industry into petroleum feedstocks now is facing what OPEC has wrou Says Bell: "We simply cannot afford depend on raw materials whose sup and cost are beyond our control."

In the past, Bell acknowledges, th was little incentive to reexamine the sibility of making industrial alcoh from grain. "OPEC changed everythin he says. "It's the best damn thing t ever happened. It made people get up pay attention to raw materials."

The heart of National's move b

newable resource technology is its ition of Emery Industries, Inc. for million cash and securities in May Another move was the recent de- nent of a continuous fermentation s for producing ethanol from grain ell characterizes as "a major tech- cal breakthrough." Emery, a $227 n (1978 sales) producer of specialty cals based on animal fats and vege- oils, "fit right into our business, is really taking hydrocarbons from ere and reforming them into in- l chemicals," says Bell. "In that t, tallow and coconut oil are as s gas and oil—even better, since on't run out."

is equally proud of the new con- s fermentation process, which E.F. n analyst John Henry estimates wer the cost of grain-derived eth- rom up to $1.50 a gallon to $1. dy ever paid much attention to tation technology after we ed to petroleum alcohols," Bell but now there is a growing market ohol as a fuel." The process, in- g the manipulation of yeasts, has feasible in a demonstration plant as been operating since Jan. 2. A lion-gallon plant, the first full- peration using the new process, is drawing board but at least two way from production.

now, however, the company is still dependent on petroleum products emical raw materials. U.S. Indus- hemicals Co., the subsidiary man- ring polyethylene, ethyl alcohol nyl acetate monomer from natural ts most of its supplies from Pan- Eastern Pipe Line Co., which 0% of National's 31.4 million out- ng shares. "Given the deregulation ural gas and National's policy of iling against winter shortages," nalyst Henry, "I anticipate im- margins for next year."

se margins are likely to be even avorably influenced by the recent of a 600-million-gallon-a-year acid plant near Houston. Supplied esidual-oil-based feedstock from Co., a joint venture with Du he plant will make National more tegrated in the production of vinyl monomer.

u really want to see Drummond nile, ask him about Almadén, Na- s California winemaker. "A real maker," he purrs. On sales of only million last year—up from $69 mil- 1975—Almadén realized an oper- profit of $20.1 million. And with consumption growing every year, nore is there to say?

tion liquor, on the other hand, and ebrows come together in a frown. 1979 sales of $522 million on such ized brands as Old Grand-Dad, row and Gilbey's represented fully one-quarter of National's total sales, its profit contribution of $23.1 million continued to be disappointing. "It's the damned vodka drinkers," Bell complains, as he pours out a sample of National's new 114-proof bourbon. "Why in hell would anybody want to drink without *tasting* it?" Still, there is some sign of improvement, for liquor sales and profits showed small gains for the second year in a row. "I'm hopeful," says Bell.

Another of National's businesses that has problems is nonferrous metals. Of his *alma mater*, Bridgeport Brass, he says: "It's never lost us any money, but the market for fabricated brass is horrendous." However, he smiles contentedly when you ask about titanium. "We got into it in 1955, and it's the thing that John Bierwirth [Bell's predecessor] will be remembered for. We were convinced that it was an idea whose time was coming. We just didn't know when." It took long enough: 25 years. During the long wait, National brought in additional metallurgical technology and plant capacity by selling 50% of its titanium subsidiary, now named RMI, to U.S. Steel. But now RMI has sold out its entire capacity through 1982. With 22% more capacity coming on line this month, the U.S. second-ranking producer of this unpredictably cyclical metal should not have much trouble recouping a quarter-century of losses. From $6 million profit on metal sales of $391 million in 1977, last year's figures jumped to $30.2 million profits on $566 million in sales. Recession or not, threats to our Middle Eastern lifeline and Soviet saber-rattling virtually guarantee U.S. rearmament and a huge demand for titanium. "You can't fly supersonic without it," Bell says.

National's property/casualty insurance business is centered around the Indiana Group, a $152 million (1979 revenues) regional insurer that Bell picked up for stock in April 1979. "It's an absolute cash cow," Bell smiles. "There are no fixed assets, no raw materials to worry about. If we say we want our cash out, it's there—just sell the assets." Although chartered in eight states, the bulk of the company's business is concentrated in Indiana. "We're not thinking about further acquisitions just yet," says Bell. "There's plenty of room for growth within this company."

National Distillers' Chairman Bell

"OPEC is the best damned thing that ever happened."

Chemicals, metals, booze and insurance. What kind of corporate mix is that? "It's a crazy quilt," says one analyst, "but so what? It's a well-balanced crazy quilt." And maybe not so crazy. Titanium is finally having its day. Grain is coming back as a chemical feedstock. Maybe one day soon folks will get tired of vodka and get back to a real he-man's whiskey. Although he's nearing normal retirement age, Drummond Bell figures on staying around for a while to see how these things develop. "I'll leave when I start to feel bad," he says. In the meantime National's earnings were up 37%—to $1.30 per share—in its traditionally high first quarter, and should reach $4.10 for the year, according to analyst Henry. It's been a rocky road for National these past few years, but Bell seems to have already tapped the best renewable resource there is—profits. ■

The smiles at PSA aren't just painted on the airplanes these days. Management and shareholders have a lot to be happy about, too.

Happiness in your own backyard

THE SKIES ARE DOWNRIGHT unfriendly these days to transcontinental haulers United, American, TWA and Eastern, who are slugging it out with $99 specials, supersavers and other cut-rate fares to fill their empty cross-country seats. United and American have omitted their dividends this year and their stocks are selling at well below book value. Meanwhile, on the 400 miles between Los Angeles and San Francisco, the red-and-orange planes of PSA are coining money. Fares on this route have gone up almost 50% in the last year (from $36 to $53 for a one-way ticket) with little loss of traffic. At PSA's San Diego headquarters, the smiles on the faces of management are as wide as those painted on the airplanes.

Last year PSA's earnings rose from $11.6 million to $23 million, a 99% increase on a sales jump of 46%. Return on equity, which stalled at around 4% in 1977, was up to 24%. This year PSA could make $27 million on sales of around $500 million, double the sales of just two years earlier. Wall Street is taking notice. The stock, which nose-dived to 8 in 1978, is up to 24.

Since deregulation became a way of life in late 1978, the long-haul carriers have been cutting each other's throats with uneconomical rates. Tempted by deregulation to break into the big time, regional carriers like Republic Airlines and US Air (formerly Allegheny Airlines) have been moving into national markets. But PSA has stuck close to home. It's a caution born of experience.

The sensation of the airways in the Sixties, PSA grew by coaxing people out of their cars and into the air, becoming the largest intrastate air carrier in the U.S. But a tightfisted California Public Utilities Commission kept PSA on a diet of low rate increases. PSA was getting only 8 cents a passenger mile, *vs.* 12 cents a mile for other regional carriers.

New management in 1976 decided that it was better to be a PSA than a mini-United Airlines, and set about getting rid of the rent-a-cars, hotels and radio stations that were grounding earnings. Then came deregulation. It has proven a bonanza for PSA. "Under deregulation we got what amounted almost to freedom of pricing," says PSA President Paul Barkley, 51, who moved into the job last year when William Shimp stepped up to chairman. "Our fares under the PUC were almost 50% below Civil Aeronautics Board formula fares. We were able to move fares up 15% right away, and that flexible pricing saved our lives when fuel went up."

PSA's President Paul Barkley
Flying high into the Sunbelt.

What is extraordinary is that PSA was able to hold on to a 60% market share in California in the face of fare boosts averaging 65%. The market proved remarkably insensitive to higher prices; historically, 65% to 75% of the passengers are business travelers. Having traveled PSA for its low fares, they were surprisingly loyal when fares went up. But it's not just loyalty. PSA is still generally cheaper than its competition.

Best of all, PSA continued to be the low-cost operator. Explains Barkley: "We limited our routes to two hours from California cities so we avoid food service and stick with one-class, high-density seating." Not serving food eliminates galleys, so PSA can pack up to 40 extra seats into its 727s.

Barkley's first destinations out of California were Reno and Las Vegas. "Vegas is the fifth-largest market in U.S.," Barkley points out, "but soon could be second or first." A million an half people fly to Las Vegas every y from southern California, but anot 4.5 million drive. If Barkley can get th people into his planes, Las Vegas co become another jackpot like San Fran co and Los Angeles.

PSA now flies to Phoenix and S Lake City. Flights to the Mexican resc of Mazatlán and Puerto Vallarta bega April. By the end of the year, Bark hopes to have his birds winging north Seattle and later to Denver, Houston Dallas/Ft. Worth.

By 1982, 20 planes in PSA's fleet—n totally 727s—will be more fuel-effici DC9-80s, which cost about 40% less operate.

But competition from the major tru carriers has been heating up. Last mo Western Air Lines announced that tr elers on PSA's bread-and-butter ro from Los Angeles to San Francisco w receive $50 off any ticket in Weste system if they buy five one-way West tickets on this run. Will a potential f trip to Hawaii entice the business tra er to give up PSA's every-hour-on-t hour flights for Western's less frequ schedule? Maybe not, but if Unit which matches PSA's frequency, were follow Western, PSA would be forced offer its own discounts.

Yet PSA has shown that it can resp quickly to keep its newly won prof When passenger traffic fell off t spring, the company quickly leased f of its 727s to Eastern. Barkley faces future free of most of the problems of last several years. A settlement w Lockheed has taken care of the th L-1011s ordered in the days when company fancied itself another Unit the planes were simply not economi for PSA's routes.

Gone too is Harold Simmons, the T as entrepreneur who fought a close finally losing battle for control of company in 1978. Management bou him out with used Boeing 727s—lite ly. It swapped the planes for Simmo 20% of the company. Simmons proba made $8 million on the deal and other shareholders were happy, too, cause management turned around distributed Simmons' stock to them.

Barkley looks pleased with the com nation of good luck and smart mo that have turned PSA from a near-dis ter into a thriving enterprise. "You c be *all* things in today's world," he s explaining why PSA is determined remain specialized. Then he refers to glowing economic health of the area serves. The listener is reminded of old story of the man who roamed world only to find diamonds in his o backyard. ■

uamantla, Tlaxcala — carpet made of flowers and colored sawdust.

nthetic fibers.

EAUTY

In Mexico, beauty is always near at hand. At times it is impressive, as with the monuments of the prehispanic culture.

At others it dazzles us with the riches of colonial art. At every step we come across examples in the infinite variety of our arts and crafts. Each morning before our very eyes it is visible in the diverse changes of Nature. It surprises us in the floral carpets made each year by the people of Huamantla, covering the streets of their village with beauty for just a few hours.

In the spirit of this search for beauty and the very excellence of Mexico and placing at its service our capacity of work, the latest in modern technology, and a solid corporate structure, Alfa was born and has grown to become the largest private enterprise in our country.

The confidence in a Mexico that grows more beautiful each day is the basis for our future.

and technology • Industrial equipment and machinery
and packaging • Petrochemicals • Capital goods • Engineering
processing and packing • Synthetic fibers • Land and resort development
onics • Home appliances • Tractors and farm equipment • Mining
ision and communications

GRUPO INDUSTRIAL alfa®
APARTADO POSTAL 1000 MONTERREY N.L. MEXICO

"Does work pile up at the office when you're traveling?"

"Do you forget good ideas from one day to the next?"

"Do you scribble notes that nobody can read?"

"Stop playing catch-up and start getting ahead with Lanier's Vest Pocket Secretary®."

–Arnold Palmer

When you're traveling, Lanier's Vest Pocket Secretary travels with you. Letters, memos, reports and instructions for your secretary get done on the plane, in the car, in a hotel room. So work doesn't stop when you're on the go.

To remember ideas, the Vest Pocket Secretary is perfect. Small enough to fit in the palm of your hand, it works with one button. You can get ideas down as fast as you get them.

When you need to take notes, the Vest Pocket Secretary is faster and easier than writing things down. Clearer, too. You don't have to figure out what your notes mean. Your secretary doesn't have to read your handwriting.

Start getting ahead of paperwork right now. Mail in the postpaid card. Or call Jennifer Scott toll-free at **(800) 241-1706**. In Georgia, call **(404) 321-1244**, collect.

I want to get ahead of paperwork.

142FGO

Name _____ Title _____

Company _____ Phone _____

Business Address _____

City _____ State _____ Zip _____

Mail to: Lanier Business Products, Inc.
1700 Chantilly Drive N.E., Atlanta, Ga. 30324

LANIER®

LANIER BUSINESS PRODUCTS INC

Get a lot more done in a lot less time.

International offices in: Australia • Belgium • Canada • Denmark England • Finland • France • Germany • Mexico • Netherlands New Zealand • Norway • South Africa • Spain • Sweden • Switzerland

n Marriner Eccles went to Washington he is little brother run the family bank. That no mistake for First Security Corp.

Letting George do it

By Ben Weberman

LL THROUGH FREE-SPENDING 1979, George S. Eccles, the black-browed, 80-year-old chairman O of Salt Lake City's First Securi-., was acting almost as if it were for him to lend money. While nk loans overall increased 13% nk holding companies like New Citicorp were pressing plastic e public's eager hands, total loans by First Security's 13 banks with 153 offices in Utah, Idaho and Wyoming rose by less than seven-tenths of 1%, and installment credit actually *decreased*. Let other banks live like there was no tomorrow. Out in Mormon country, they look at things differently.

First Security's 1979 earnings were still up 11.4%, to $3.13 a share. A 10% increase was what George Eccles had budgeted for 1979; what Eccles budgets for he usually gets. An annual 10% increase in earnings is what he's budgeting for the next five years.

urity's George S. Eccles
v, sell high.

George's late older brother Marriner is in the history books as the man who established the independence of the Federal Reserve Board *(see box, p. 53)*. All those years Marriner was in Washington, brother George was building one of the finest regional bank holding companies in the nation.

Like the Eccles family itself, First Security is steeped in Mormon history. The bank holding company—one of the first—was organized in 1928 from 17 banks and 1 S&L in Utah and Idaho. During a 1932 bank panic in Salt Lake City, First Security acquired the Deseret National Bank, which had been founded by Brigham Young and was the oldest national bank in Utah. (The Eccleses were not new to calming bank panics. In 1931, Marriner had personally staved off a run on the Ogden State Bank, a competitor of his own First National Bank of Ogden, by having his employees call Ogden State's customers to tell them not to withdraw their funds. Eccles' bank would handle their needs until the crisis passed.) George Eccles, who had come to work for the family bank within months of his graduation from Columbia University School of Business in 1923, became the holding company's CEO when Marriner left for Washington in 1934.

Today, First Security, with assets of $3.4 billion, ranks 59th in size on FORBES' annual banking survey and among the top 15 in growth of assets, equity and return. In the resource-rich, cash-hungry intermountain West, it has the highest credit rating possible for a bank holding company.

At a time when many regional banks are trembling at prospects of raids on their territory by the big money-center banks, First Security observes the prospect with a certain detachment. Eccles likes to tell how Citicorp's "Person-to-Person" consumer loan offices, in his judgment, haven't made much progress in Salt Lake City. "I don't know how they got their mailing lists," he says, "but a lot of their solicitations seem to have been delivered to customers, even officers of our banks."

Eccles has some good things going for him. One is the Mormons' traditional 10% tithing, which makes a nice deposit base. The church's cash, and short-term investments like CDs, are for the most part kept in local banks. Eccles grumbles that many of his fellow Mormons still think publicly owned Zions First National Bank across town, founded in 1873 by Brigham Young, is part of the church. But First Security is clearly in with the Establishment: Two members of the church's ruling Council of the Twelve sit on its board, as well as First Councillor N. Eldon Tanner.

While Mormon industriousness is a re-

Liability Problems o

With more direct accountability being attached to membership on a hospital's board, trustees are increasingly concerned about their hospital's exposure to risk – and about their personal need for insurance protection.

A brief review by INA of an insurance topic of interest to business executives.

Not long ago, membership on a nonprofit hospital's board of trustees meant honor and prestige and very little else. Boards of trustees were typically involved with fund raising and consideration of major capital expenditures, rather than hospital management matters.

But times have changed. Trustees are now seen in a new light – as being ultimately responsible for the performance of their hospital and its responsiveness to the people it serves. If funds are misapplied, or discrimination is alleged, or an unqualified physician is allowed to practice in the hospital, the trustees can be the targets of lawsuits. And the trustees' need for protection has grown accordingly.

As a result, more hospital boards of trustees today are protected by directors' and officers' liability insurance, while prospective board members are increasingly making it a condition of their acceptance. In essence, this insurance protects the trustee against "wrongful acts" – anything from negligent misstatements and omissions in financial reports to inadequate supervision of the hospital's equipment control procedures. The emphasis is on negligence, in contrast to fraud or falsification of any kind, which, of course, is not covered.

And, it is important to note, directors' and officers' policies also exclude professional malpractice claims, both medical and hospital – certainly the biggest hospital problem of all and one which causes trustees continuing concern.

Confronting the menace of malpractice

The malpractice issue began to loom over hospitals a decade ago. By 1975, it had reached crisis proportions, with hospital malpractice liability insurance becoming so costly that many hospitals could no longer afford it. And, by 1977, malpractice insurance was costing U.S. hospitals an estimated $1.2 billion, six times what it had cost five years earlier.

Although trustees are still seldom named specifically in hospital malpractice suits, there is a notice-

Hospital Trustees

e trend in that direction. Indi-
ual physicians and hospitals as
ities are usually the defendants,
trustees can be liable in an-
er way. The provision of ade-
ıte hospital insurance, includ-
malpractice insurance, is a
stee responsibility, and insuffi-
ıt insurance can be the basis of a
bility suit against board
mbers.

Several courses of action can be
sidered by hospital boards in
ling with malpractice risks and
er insurance needs. One is more
-insurance, whereby the hospi-
partially funds its malpractice
ms through high deductibles.
ly when claims exceed a given
ount does insurance take over.

Another approach is the forma-
ı of specially chartered insur-
e companies, set up by groups
hospitals to share malpractice
ks. The hazards attached to such
tual endeavours tend to be rela-
ely high, largely because some
lpractice claims may not be
de for many years after an al-
ed occurrence. Future losses –
l the setting aside of adequate
funds to meet them – thus become
difficult to estimate.

A third option in confronting
the malpractice threat – and one
which a growing number of trustee
boards have put into effect – is
reducing malpractice exposures by
means of a thorough program of
hospital loss control.

Leaving nothing to chance

Simply stated, loss control is
the prevention of losses before they
occur. Working with professionals
in this field, numerous hospitals
have achieved notable reductions
in losses from malpractice liability,
as well as general liability, workers'
compensation and property
exposures.

A loss control program in-
volves a thorough, in-depth survey
within the hospital, with emphasis
on current operations. The pro-
gram is designed to evaluate the
existing loss control methods; to
identify all loss exposures, both
past and potential; to recommend
specific measures that will elimi-
nate or minimize those exposures;
and to monitor the results of the
measures taken.

INA is one of the major pro-
viders of hospital loss control ser-
vices, as well as of directors' and
officers' liability insurance for hos-
pital trustees and of hospital and
medical malpractice coverage. An-
other INA company, Hospital Af-
filiates International, provides
professional hospital management
services. INA specialists also assist
in structuring entire insurance and
risk management programs for
hospitals, including services to
self-insureds and to captive insur-
ance companies.

Recognizing and meeting
complex needs, such as those of
hospital trustees, typifies INA's
comprehensive approach to in-
creasingly sophisticated insurance
and risk management services.

Comprehensive services

The Insurance Company of
North America was founded in
1792 in Independence Hall, Phila-
delphia. Today it is the largest
component of INA Corporation's
international network of insur-
ance, financial, and health care in-
terests. In property and casualty
insurance and risk management
services, life and group insurance,
health care management and finan-
cial services, INA and its affiliated
companies offer a unique combina-
tion of products and services to
business and industry around the
world.

For an informative booklet on
meeting the liability problems of
hospital trustees, write INA,
Dept. R, 1600 Arch Street, Phila-
delphia, PA 19101.

d an outsider look in?

esponse to the financial pressures con-
hospitals today, numerous trustees
essing interest in the services of out-
ofessional hospital management
ies.

led in every phase of hospital manage-
ıch companies can apply economies of
reduce operating expenses while main-
high standards of medical care.

o doing, they may also bring about
ospital liability exposures – including
tice exposures and those of trustees.

INA
The Professionals

PRESENTING THE FIRST NEW JAGUAR SEDAN IN A DECADE

THE SERIES III SEDAN. SIMPLY... THE BEST JAGUAR EVER BUILT.

To surpass the very high standards of handling, response and luxury set by previous Jaguars is a formidable challenge. In the new Series III sedan, this challenge has been met and mastered.

The Series III is, very simply, the best Jaguar sedan ever built.

To begin with its engine, it is our famous 4.2 litre, double overhead-cam Six with the incredible response of a computerized Bosch/Lucas electronic fuel-injection system. Coupled with a thoroughly dependable electronic ignition and our automatic cold-start enrichment fuel-injection system, the car is uncommonly reliable in starting up, even when left out in cold weather. And every Jaguar engine is individually bench-tested, then road-tested too, before it is certified acceptable for shipment.

But perhaps the ultimate test of greatness in any luxury car is the way it moves. And nothing moves, handles or responds like a Jaguar Series III. The steering is smooth and precise, thanks to a power rack and pinion system. Fully independent suspension on all four wheels gives you a constant sense of control, regardless of the road surface. And four-wheel power disc brakes stop the car with silken authority.

In refining the exterior styling of our classic XJ sedan, we studied the car long and thoughtfully. Then we added a new, sleeker roofline that gives the car more glass, better visibility and more headroom for rear passengers. There is a new grille, new and more subtly integrated bumpers, a new taillight grouping and other refinements of styling throughout the car.

Inside the Series III you will find many new luxuries as standard equipment. As you expect in a Jag superb leathers, ra burled walnut, deep peting and an aweso silence in motion are built into the car. And r there is a new casse plus stereophonic, fo speaker AM/FM ra with signal-seeking tu There is, too, a hidc antenna that can be to rise automatically after the eng has started, and to lower itself when y turn off the engine. Automatic air co tioning and cruise control are stand too, as are radial-ply tires and dri operated power side-view mirrors.

The Series III is undoubtedly the b Jaguar sedan ever built. Come, dr this uncommon machine and see yourself. For the name of the dea nearest you, call these numbers free: (800) 447-4700, or, in Illinois, (8 322-4400.

© Jaguar Rover Triumph Inc. Leonia, N.J. 07

JAGUAR

in its own right, it is not the only e First Security has going for it. traditionally agriculture-based ny is now booming with resource ment—natural gas, oil, copper, Aerospace and electronics compa- e opening plants in Utah and Ida- ake advantage of the high-quality rce. Unemployment in Utah, Ec- ints out, is around 5.3%, com- vith the national average of 7.8%. any businessman, a banker his money off the spread between t of his merchandise and what he for. A banker's merchandise is, of money. First Security sees to it buys—or rather hires—that mer- e as cheaply as possible and sells early as possible. Its net interest rose last year to a new high of mpare that to Bank of America's and its 11.5% yield on earning vas almost twice its average 6.5% money.

e many bankers were being whip- n bonds—going long last fall, then getting caught short when the market rallied in May—First Security's timing was well-nigh perfect. Explains Eccles: "We sold our 1980 and 1981 governments quite a long time ago and we've been in the high-yielding money market with the proceeds of those issues. Earlier this year [when intermediate-term interest rates were in the 10%-to-14% range], we were buying eight-, nine-, ten-year government issues, and we also have an awful lot of money in 18%-to-19% Eurodollar deposits that mature in July and August." First Security Corp. picks up additional profit from the securities market through its substantial stake in the Wall Street bond-dealing firm of Aubrey G. Lanston & Co.

Not surprisingly, First Security is one of the few bank holding companies whose shares—recently at 20—trade near book value. That turns off some institutional investors, but it is supported by numbers like First Security's 1.15% earned on 1979 assets, *vs.* 0.64% for BankAmerica or 0.58% for Citicorp.

In most of the country, demand for bank loans is turning soft, but this doesn't seem to be a problem for First Security in booming Utah. "We don't have to push to get loans on the books in this area," says Eccles.

Earnings were up 13% in the first quarter and Eccles expects to do as well for the year, which would produce per-share earnings of about $3.50. That almost guarantees another dividend increase for First Security shareholders; the current payout is only about 27%, *vs.* the company's traditional 33%.

As statutory banking limits continue to melt, does First Security have ambitions to be anything but a regional bank? No, says George Eccles firmly: "We're a regional bank with a difference." By the way, that difference is likely to continue for at least another generation. George Eccles has no children, but his brother Spencer did. Spencer's son, Spencer F. Eccles, 45, is the bank's president and has already been designated his uncle's successor as chairman and CEO. ■

The peepul versus Marriner Eccles

verted to Mormonism and cted by America, David Ec- parents took their seven lren and their few worldly s and left the slums of Glas- in 1863 for Utah, making ast part of the journey by rt. By the time David died, 912, he had accumulated iderable wealth, including a ding piece of what became International—later sold to eral Electric for $2 billion— lgamated Sugar and two s. He also left behind, good mon that he was, four sons ive daughters; Marriner, his t son, then only 22, became ead of the family.

arriner went on to become than a mere footnote in rican history. During the years of the Great Depres- he not only kept the family solvent but also attracted nwide attention by helping event failures among other banks. In 1934 Franklin D. evelt appointed him chairman of the Federal Reserve d, a job he held until President Harry Truman, who ed a more pliable Fed chairman, demoted him in 1948. ng this time he helped develop the New Deal notion of ulating the economy via deficit spending and was influ- l in establishing the Federal Housing Administration Security was then and still is active in mortgage cing]. Later Marriner Eccles represented the U.S. at the on Woods conference, which created the International etary Fund.

Patriarch David Eccles

cles, demoted but still a governor, went on to lead the fight to raise the Fed's discount rate. Here's the yarn: The U.S. Treasury needed money to help finance the war in Korea, and was about to refund $13.6 billion of debt. Truman's Treasury Secretary, John Snyder, had been urging the Fed governors to hold interest rates down so that the Treasury would be able to borrow cheaply. But Marriner Eccles spoke his mind to press and public and Truman never forgave him when the Fed voted for sound money over cheap money. Instead of holding rates down, the Fed *raised* its discount rate from 1½% to 1¾%. As a populist, Harry Truman was outraged. Yes, the Fed was supposed to be independent, but not *that* independent. In 1951, his term unfinished, Eccles resigned from the Fed and went home to Salt Lake City.

Although the episode was played down at the time, Eccles later told FORBES that Truman had flatly fired him. To his dying day (in 1977), Marriner Eccles remained a stubborn independent, speaking his mind and refusing to be typecast politically. In his old age he became one of the first prominent businessmen to criticize openly U.S. intervention in Vietnam and did so boldly in a 1968 interview with FORBES. History seems to have vindicated him there as it did in his quarrel with Harry Truman's populism. We suspect that many of the nation's current economic ills had their origins in that long-ago victory by the populist President over the curmudgeonly chairman of the Federal Reserve.—*J.W.M.*

Disneyland it isn't. Profitable it is. Some big companies would like to buy Cedar Point but Bob Munger's in no hurry to sell.

A visit to Munger world

The Up-And-Comers

Cedar Point's Bob Munger and one of his assets

"If Taft and Marriott liked our business, maybe we should stay in."

THREE-YEAR-OLD SUSAN is in j
dise. In front of her is a daz
array of candy bars. Two min
away by stroller is Cedar Point, or
America's largest amusement park
place loaded with roller coasters, m
go-rounds and kiosks where her fa
can buy popcorn and cotton-candy
her. But Susan has one problem. "
dy," she sniffles, "why can't I buy gu

Susan can't buy gum because the
ple running Cedar Point have figured
it costs more to clean up chewed
than Cedar Point, Inc. could make
ing it. That's a small point, but it's
kind of thinking that has turned C
Point into a flourishing $65 million
enues) company while several o
parks (Underground Atlanta, Old Ch
go and Freedomland, to name a
have withered.

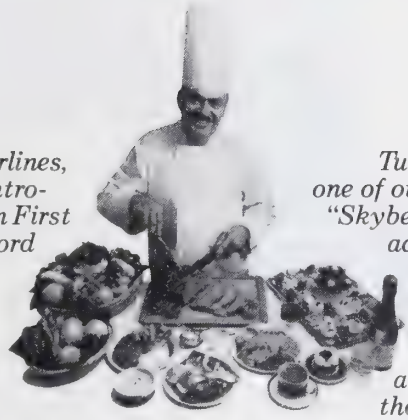
"When people see an amusement p
they think of mom and pop running
show," says Cedar Point Chairman
ert Munger Jr., gesturing with his e
present cigar. "They don't think of
ple who went to Yale, and people
have M.B.A.s. They don't think of c
puters and smart people running a b
ness well."

Munger, his troupe and their com
ers have run Cedar Point's business
well indeed—so well that Cedar Poi
one of the premier amusement park
erations in the country, ranking just
low Disney. In the past five years, C
Point has averaged 28% on equity, w
per-share earnings have increased an
erage of 15%. These premium retu
aren't being gotten with leverage, eit
Less than 10% of the company's cap
ization is debt.

Not bad for an amusement park
started without the kind of cash f
that movies produced to finance Dis
land. Not bad either for a park locate
unglamorous Sandusky, Ohio, wh
harsh midwestern winters restrict
season to four months.

Take a tour through the 275-acre p
located on a peninsula jutting into L
Erie, and you get some idea of how C
Point can draw 3 million admissi
($9.95 for adults, less for children 5 t
and people over 65) a year in Sandu
There are no less than 57 rides, inclu
six roller coasters and four merry
rounds, an awesome 15-story fe
wheel and an appropriately sme
steam-powered narrow-gauge railr
(the park's most popular ride). Other
tractions range from Jungle Larry's A
can Safari to a new 1,600-seat amp
theater with dolphin and sea-lion sho
Not to be forgotten is Frontierland
pseudo-Old West street with artisans
ing things like grinding corn and blow
glass. Take a youngster like Susan al
(in a stroller rented for $1.10 a day)
you get an even better idea of Ce
Point's savvy. The Cedar Point pe

The smartest Orient-bound businessmen are lying down on the job.



Philippine Airlines, a's first airline, intro- es the last word in First ss. On the last word 47's.

Settle down leep, wide easy irs with specially igned adjustable ks and unique lptured headrests for most relaxing trans-Pacific ht you've ever experienced.

Select from choice Philippine Continental entrées. Or our Nouvelle Cuisine — the new, ter French style of cooking that won us a gourmet society's rd as the finest food in the air.

Sample a distinguished list omplimentary French cham- ne and wines or your favorite ktail.

Catch the latest show on new wide-screen entertainment tem, complete with custom stereo dphones and the latest movies.

Turn in for the night in one of our 14 full-length "Skybeds" — the only beds across the Pacific to Manila. Every single night of the week.*

It's our very special "Cloud-Nine Service," and the beds are so thoughtfully designed, they're the only ones in the world certified for you to sleep in, landing and taking off.

When you take off trans-Pacific on Philippine Airlines First Class, we'll take off 25% on your round-trip fare! How's that for First Class treatment?

And Philippine Airlines' First Class wide-body service stays with you throughout the Orient with convenient wide-body connections in Manila to all the close-by business and vacation capitals of Asia.

So next time you're flying First Class to the Orient on business, the first airline you should think of is Asia's first airline.

Philippine Airlines.

And take your next business assignment lying down.

*Available in First Class only for a nominal surcharge

Philippine Airlines

First Class on Asia's first airline.

periodically suggest that Susan's father buy her something to eat. That helps boost the park's all-important revenues from food, toys and games—45% of the park's gross. She's so taken with the kiddie rides she'll even let strangers hold her candy. She practically has to be pried off. Cedar Point people beam.

Except for Frontierland, there's not much "themed" gingerbread like the elaborate storefronts at Disneyland or the entrance signs at Marriott's Great America parks. "We look for return on investment," says vice president-finance William Nelson, "and we'd rather put the money into rides than theming. Look at our front entrance sign. That's not very fancy, is it? Marriott's front entrance sign at Great America looks like it cost them in excess of a million dollars. And all it tells you is that you're there."

Where does Cedar Point's money go? Nelson ticks off a few items. There's the enormous Gemini roller coaster, with a 125-foot first drop where cars reach speeds of 60 miles an hour. Cost: $3.5 million. There's the Corkscrew, where intrepid souls with strong stomachs are turned upside down three times during a 2½-minute ride. Cost: $2 million. At points, the Corkscrew's track is just 15 feet above the Cedar Point midway, and people in the cars whizz by, screaming their lungs out. Then there's the Oceana exhibit, Susan's favorite. "I like the wobsters and the fish," she says. The building they are in cost enough: $3 million.

Most of the cars in the Cedar Point lot have license plates from Ohio, Michigan and Indiana. The park's primary market includes those states, parts of Pennsylvania and slices of Illinois and upstate New York. "We can't justify the TV costs in the Chicago or New York City markets," Nelson says. "We'd rather put the money into Flint [Mich.] and Gary [Ind.], where we'll get a better return on our advertising dollar. Let's face it. We are not a destination park like Disneyland or Disney World. [About the only thing making Cedar Point a destination attraction is the plaque on the beach marking the site where Knute Rockne invented the forward pass.] We have to get the same people to come here every year—or at least every two years—so we have to have something for everybody. We must keep adding attractions so people will come back."

This realistic approach comes directly from Chairman Munger. A big, beefy man with a gravelly voice, the 52-year-old Munger exudes the aura of someone who grew up pitching pennies on street corners. He is really the son of a Connecticut judge, a Yale graduate (economics, sociology and psychology) who wound up in Cleveland selling insurance because his father-in-law owned an agency there. In 1960, looking for something that was fun and had a good chance to make bucks, Munger put his money and his in-laws' into a run-down amusement park, and went on its board. Emile Legros and George Roose, Cleveland investment bankers, had bought Cedar Point, an amusement park since 1906, and wanted to knock over the ramshackle rides and the rambling Breakers Hotel to put up a housing project. The State of Ohio objected, and Legros and Roose found themselves with a park they didn't want. After a trip to then-new Disneyland (during which they filched some ideas and a couple of people), Legros and Roose tried to develop Cedar Point into a family-oriented amusement park, but rapidly ran out of money. To raise cash, the two canny moneymen sold shares to people like Munger and franchised out many rides and food stands to concessionaires, wisely writing a purchase option into the contracts. Even though Cedar Point made profits, it had to put every penny it earned and more into capital improvements and buying out concessionaires (the last major one, the french-fry concession, was bought only three years ago). No one would lend the park expansion money. "Banks won't make you a loan on a roller coaster," Munger says. "We managed to borrow money once, I think it was $2 million, and we had to give the bank everything as collateral, including our life insurance policies."

Hurtling through the Corkscrew
Banks won't finance roller coasters.

After the 1972 season, the park suddenly started generating more cash than it needed. Nothing spectacular happened—the park had just reached the takeoff point, and some major shareholders were getting more interested in selling it than expanding it. In 1973 Taft Broadcasting made a deal to buy Cedar Point, but it collapsed when Taft's st fell. The same thing happened with M riott in 1974. After the Marriott deal through, "We decided that if Taft Marriott thought our business wa good, maybe we should stay in it ins of selling out," Munger says. Early 1975 Munger, whose in-laws had their insurance agency to Johnson Higgins, became CEO.

Success has problems that are so times just as tough as the problem failure. When you are earning the kin return Cedar Point makes, you ei reinvest it in the business or give i the tax collector; if it piles up, you att raiders. But reinvest where? A coupl plans to build new parks fell through, a chain of gift shops that didn't pay was quickly dumped. ("When there monkey on my back I get it off as soo possible," Munger says.)

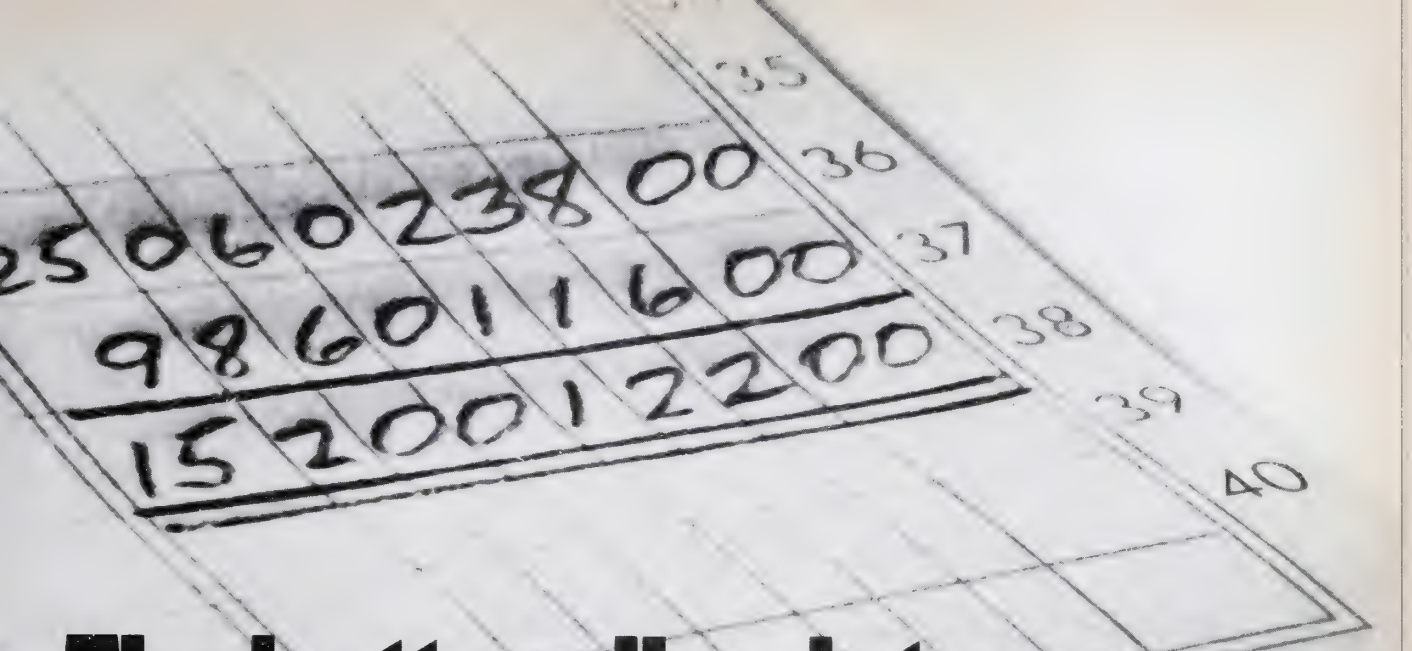
Cedar Point's latest attempt to exp came in 1978 when it bought a ne built park, Valleyfair, near Minneap for $15 million in cash and debt assu tions. "We're bringing Cedar Point Minnesota," Munger says. "Valley won't ever be as big as Cedar Point, there will probably never be another p like Cedar Point built. You couldn't bu this place today. You couldn't assem the land or get the permits."

But as Cedar Point, which recently a $20 million credit line, plans to expa MCA Inc., still flush with *Jaws* ca lurks in the shallows. In July 1978 M disclosed that it had gobbled up 5.3% Cedar Point, and late last year ad another 4.3% by buying stock fr Emile Legros' widow. MCA then t dered for another 11%, but didn't ge share because the market pushed price well over the 31 tendering pri amid speculation that someone wo buy the whole company. That did happen, and the stock has since drif down to a recent price of 29, 10 tim earnings. Munger, who owns or contr nearly 10% of the 3.3 million shar says Cedar Point's board is willing consider a sale, but MCA's 31 was ridi lously low. "It's not the principle, it's t money," he says.

Wouldn't this be an ideal time to sel before the recession and possible ga line shortages take their toll? Mun says no: "For a family of five, it costs h a hundred to get in, maybe a hundre you include everything. Our resea shows that people think a vacation i necessity. Maybe they won't be able afford a big vacation, but they can aff to come here for a day."

Susan would like to stay forever. Af dripping lollipop juice onto the floor Munger's office, she decides she pref Cedar Point to New Jersey.

On the way out, she asks one questio "Daddy, when can we come ba here?"—*Allan Sloan*



The bottom line lets you see where you've been. Your accountants should help ou see where you're going.

Even the best financial statement in world is hindsight.

Where an accounting firm can really p you is in developing a little better esight.

All the while they're doing your audit, ur accountants should be thinking of ys to turn out other information for you.

The kind of useful information man- ers want more and more of these days.

That's why we at Deloitte Haskins & ls have developed some accounting d auditing tools that not only meet our hnical needs, but something more sic.

Your business needs.

To take one example, there's our que financial modeling program, which call FORECAST.

Now admittedly, you can pick and oose from a number of financial modeling programs these days.

Where ours is different is that you don't have to be a computer expert to grasp it. It's designed to be used by managers like yourself.

From a single model, you can project basic financial statements, cash flow, and a whole lot more. Quickly. And in any format you're already used to.

As you can see, we think an accountant has to be a businessman, too.

The way we look at it, the bottom line isn't where an accountant's usefulness to a client ends.

In some ways, it's only the beginning.

For an informative brochure on FORECAST, call our local office. Or write us: Deloitte Haskins & Sells, 1114 Avenue of the Americas, New York, N.Y. 10036.

Deloitte Haskins + Sells

Beyond the bottom line™

0 Deloitte Haskins & Sells

Rockwell International is more than a leader in weight-saving components for trucks.

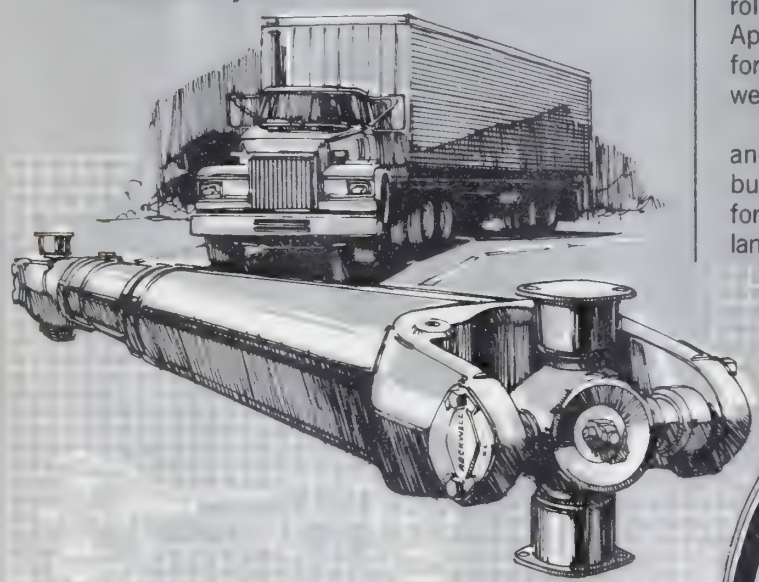
Much more.

Automotive.

(Sales, fiscal 1979: $1.8 billion)

Our new Super 17 X-Tra Life™ U-Joints for heavy-duty trucks are ten pounds lighter than comparable U-joints. Driveline components are just one way our line

Our X-Tra Life U-Joints reduce downtime by allowing three times the lube interval of conventional U-joints.



of automotive products helps truckers carry more payload. By combining our U-joints with our axles, brakes, hubs, drums, springs and trailer axles, a typical 5-axle truck could save up to 1,482 pounds of dead weight for more payload.

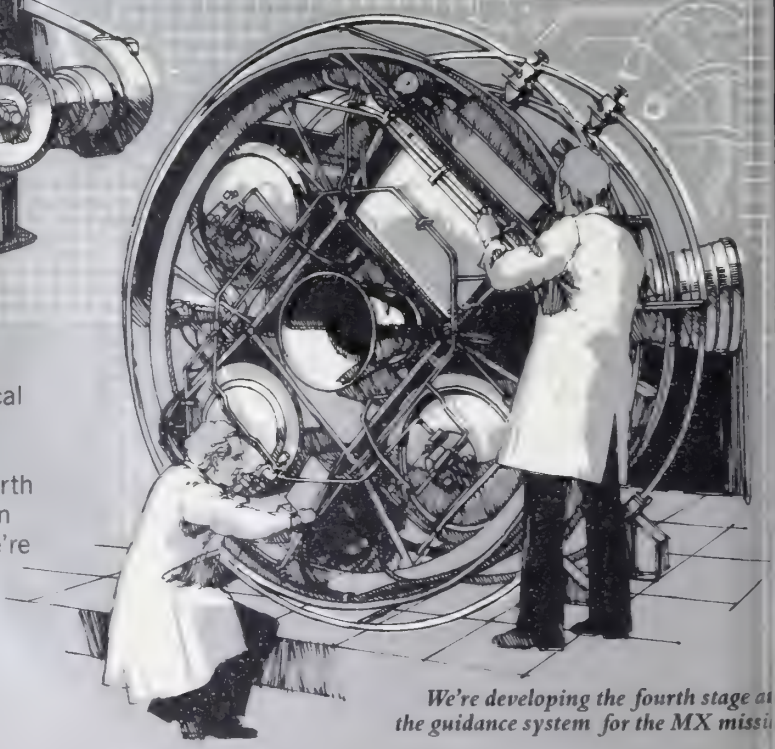
One-half of the highway tandem tractors in North America are equipped with our axles — and more than half of the heavy-duty trucks stop with our brakes. We're also a major supplier of steel and styled aluminum wheels, mechanical devices, castings and forgings, and other components for light and heavy trucks, passenger cars, vans and buses.

Aerospace.

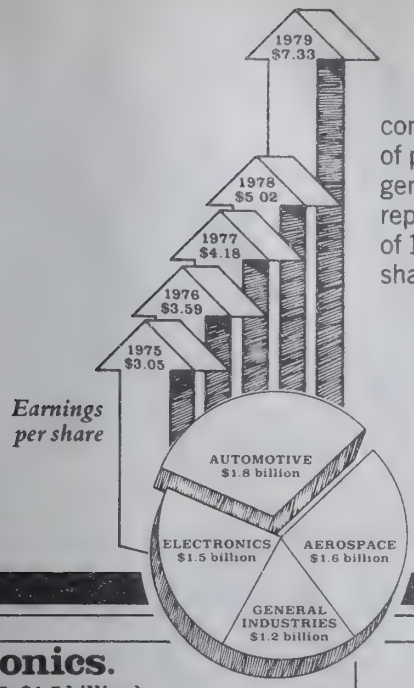
(Sales, fiscal 1979: $1.6 billion)

Our Rocketdyne Division has been awarded a contract for full scale engineering development of the fourth stage of the MX strategic missile, which will serve our nation for the remainder of this century. (Our Electronics Operations is developing the MX guidance system.) Our rocket engines have played an important role in America's aerospace accomplishments, including Apollo, Atlas, Thor, Saturn and, now, the main engines for the most advanced project of all: the Space Shuttle we're building for NASA.

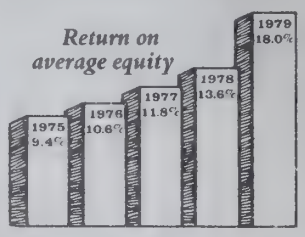
We also have a long, proud history as a designer and builder of business and military aircraft. And we're building the Navstar satellites that will make it possible for users to determine their positions to within 30 feet on land, at sea and in the air.



We're developing the fourth stage a the guidance system for the MX missi



Rockwell International is a major multi-industry company, applying advanced technology to a wide range of products — in automotive, aerospace, electronics and general industries. Our $6.2 billion sales in fiscal 1979 represent an increase of 16 percent over the $5.3 billion of 1978. Net income totaled $261.1 million, or $7.33 per share, an increase of 48 percent over 1978. Return on average equity has increased to 18 percent, which is a substantial improvement over the previous year and nearly twice that of 1975. We invite you to read more about our balanced diversification, below.



Fiscal 1979 sales

Electronics.

(Sales, fiscal 1979: $1.5 billion)

When you phone a U.S. airline for a reservation, chances are your call will be put through by one of our automatic call distribution systems.

ur automatic call distribution systems are used every domestic airline — and several overseas ed telephone reservations. In addition to these tching systems, we make data switching for automating and streamlining commercial k funds transfer operations.

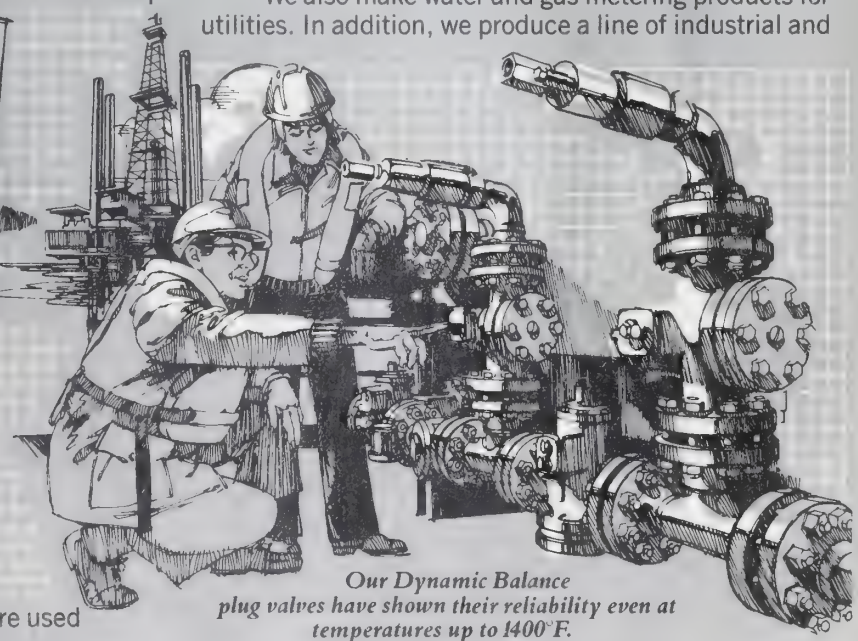
'e produce a wide variety of other nunications systems, including digital and icrowave systems for telephone companies and sinesses and industries. We're one of the world's uppliers of avionics for air transport, general and military aircraft. We're also a major defense cs supplier and we produce a broad range of ctronic systems and devices, including industrial mercial bubble memory systems.

General Industries.

(Sales, fiscal 1979: $1.2 billion)

Today, as a result of our 75 years' experience in manufacturing valves, we're a leading supplier of high-technology valving used in the expanding energy industry. Our Dynamic Balance™ plug valves, for example, are virtually maintenance-free and have proven reliable in oil and gas applications around the world.

We also make water and gas metering products for utilities. In addition, we produce a line of industrial and consumer power tools, and we're a leader with our Goss printing presses and Rimoldi industrial sewing machines.



Our Dynamic Balance plug valves have shown their reliability even at temperatures up to 1400°F.

For more about us, write for our annual report: Rockwell International, Dept. 815R-36, 600 Grant Street, Pittsburgh, PA 15219.

Rockwell International

...where science gets down to business

Automotive/Aerospace
Electronics/General Industries

The stock market doesn't seem to have noticed yet, but S&Ls escaped the monetary policy ambush with no more than flesh wounds.

The road back

The Streetwalker

ON THE NUMBERS ALONE, it's hard to find an industry under more stress right now than the baker's dozen or so of the nation's biggest savings and loan association holding companies. The first quarter was bad enough. Profits at such ordinarily solid producers as Financial Federation, Inc., Gibraltar Financial Corp. and Great Western Financial Corp. were down from 33% to 84%. The second quarter was even worse—"the worst in half a century," according to Jonathan E. Gray, who follows the S&Ls for Sanford C. Bernstein & Co. He estimates that in the quarter just ended, "40% to 50% of all the S&Ls in the country" lost money.

That's a shocking amount of red ink for a normally resilient, hard-selling industry. Paradoxically, most S&L stocks have come off their lows for the year. Nothing big so far. Most are selling well under their book value, generally at a modest 5 or 6 times earnings, compared with 7.4 for Standard & Poor's 500 stock average. The market seems to be giving no more than one cheer for the $60 billion engine that helps to make the nation's home mortgage system go.

But that assessment gives full measure neither to history nor to the explosive turnaround in S&L profits that Jonathan Gray and most of his colleagues on The Street anticipate. On form, the S&Ls are contracyclical stocks. They do best when interest rates are easing and recession stalks the economy. The S&Ls did better than the market as a whole in 1973-75, 1969-70 and in 1960-61 as well.

There is no guarantee of a repetition this time, but the S&Ls will not hang fire for long if The Street's prognosis on profits works out. Gray, for example, insists that S&L earnings will shoot out of the trough to "near-record levels" by the next quarter and reach record levels by midyear 1981. "The values are very low," argues Gray. "At 3 to 5 times next year's earnings, they are cheap."

Can S&L profits really march up the hill as quickly as they marched down from the peaks of 1978-79? They can, if short-term interest rates continue to decline and plateau at a decent level.

The S&Ls, which run all the perils of borrowing short from depositors and lending long to home buyers, have been caught in one of the worst money squeezes of modern times. As money market rates climbed at unparalleled velocity through last year and the first quarter of this year, the S&Ls had to fight hard to keep deposits from draining into money market funds and other alternative higher-yielding investments. They did so by promoting their own version of money market certificates tied to Treasury bill rates. The more aggressive S&Ls also went hammer and tongs after the very sophisticated, rate-sensitive "hot money" that floats in and out of $100,000-and-up certificates of deposit, on which there are no rate ceilings.

By the first quarter of this year, money market certificates and CDs had jumped from 18% to more than 50% of deposits at such big, free-wheeling S&Ls as H.F. Ahmanson & Co. They cost the earth—an average of 13% or more. Mortgage rates, on the other hand, climbed much more slowly than the price the S&Ls had to pay for deposits. In the 15 months of pain between last year and the first quarter of this year, the spread between the cost of money and the yield on earning assets at even so well-managed a show as Ahmanson & Co. shrank to a barely visible 12 basis points. Through the second quarter, Gray notes, the spread actually turned negative for close to half the industry.

What goes up must come down. In the last three months the money market has taken its deepest and most sudden plunge since World War II. Treasury have dropped from a peak of 16% around 6.5%. With the steep slid rates the S&Ls can afford to breat little easier.

So much for the cost side of the q tion. What about the earnings s Mortgage rates have come down f quickly, too, from a peak of around to an average of 15.7% for commitm on 25-year conventional loans, accor to the Federal Home Loan Bank Bo latest survey. In some areas of the c try, the S&Ls are offering conventi loans at around 12% against an ave money cost to them of around 9%.

That's a really workable spread, helps to explain why The Street good things ahead. The ravages show in the 1980 earnings, but agg sive S&Ls—Gibraltar Savings & L Association, for one—may well be for years from the mortgages they pu the books at 13% and more during great money crunch.

Right now, the big questions seem t on the demand side. The housing indus a focal point of the Federal Reser attack on inflation, is a shambles. W mortgage rates began climbing over 1 a lot of potential home buyers either scared or were priced right out of market. Thus, outfits like Merrill Ly Economics project new housing start only 1 million units for the whole ye the worst showing on record.

But from the second half of 1981 1982, Merrill Lynch figures that st will climb from an annual rate of million units or so to nearly 2 millio

All of that optimism has been cran into Gray's analysis. S&L stocks h traditionally been one way to play a c in interest rates. The industry also ha equity kicker in low multiples that h spawned a series of takeovers. G Western Savings & Loan's proposal buy Financial Federation, Inc. at a siz premium is the most recent exampl the phenomenon. The premium pr ised two of Financial Federation's m stockholders—David J. Greene & and Lazard Frères & Co.—a good gain their investment.

A lot of smart money has moved i the S&Ls. Saul Steinberg's Relia Group, for example, has snapped up i under 25% of Imperial Corp. of Ame and a 7% stake in Gibraltar Financia well. Kemper Corp. also owns a chunk of Gibraltar. Calgary's Belzb family (FORBES, *May 14, 1979*) has bou up 58% of Far West Financial.

What's the big attraction? S growth potential going at low val says Shearson Loeb Rhoades' Allan Bortel. That doesn't mean the industr safe from still another ambush on monetary trail, but at the moment S&Ls seem to have escaped with more than flesh wounds.—*Richard Phal*

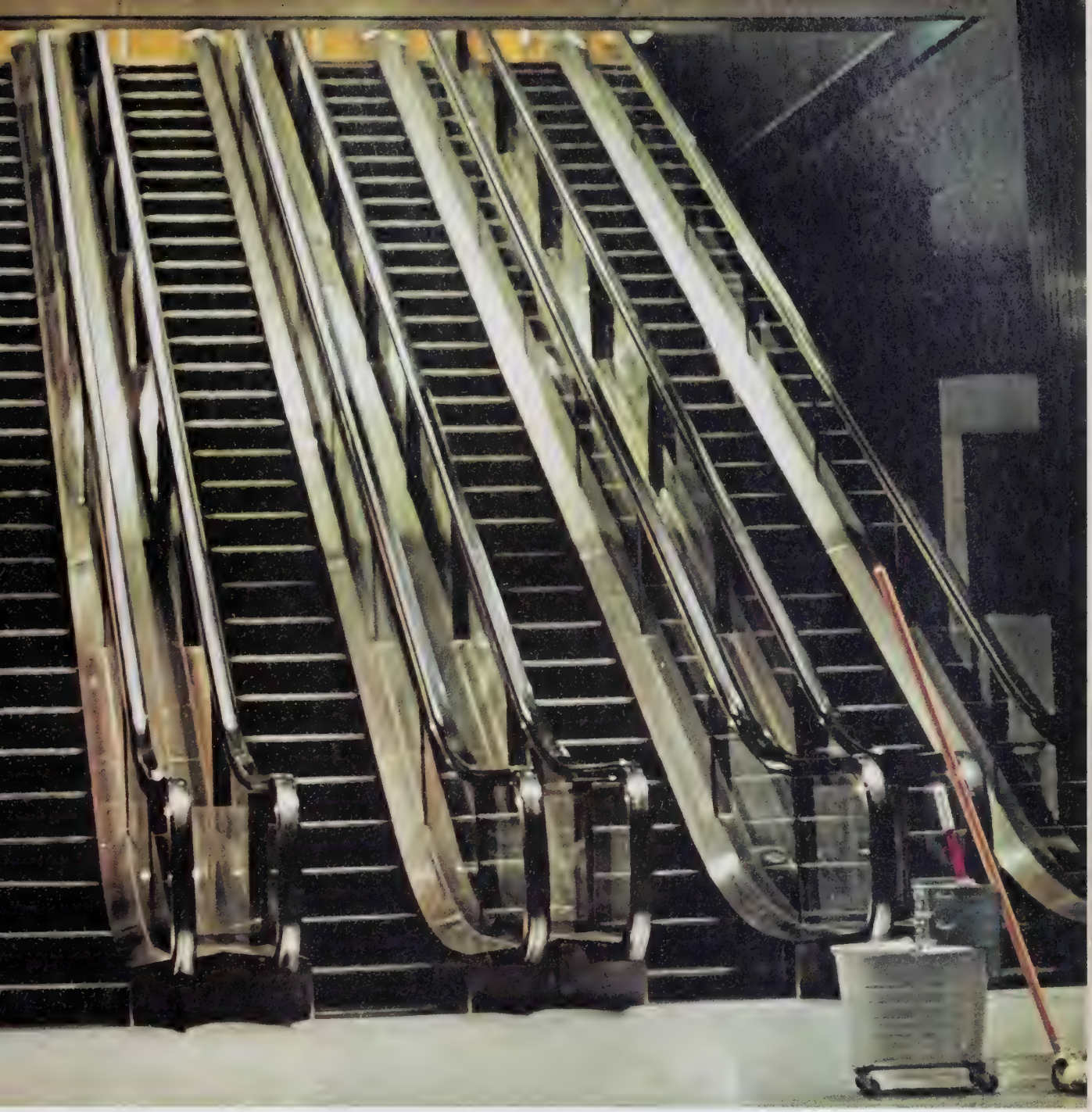
COAL...
lights our nights &
brightens our future!
We sit atop some of the world's greatest coal deposits... which fuel 94% of our generating capacity. In fact, we supply over 13 million kilowatt-hours of electricity per year in three of the nation's fastest-growing states, without nuclear and with less than 6% hydro, oil and gas fuel. That's one reason our nights and our future are bright.
Send for a copy of the 1979 annual report.
Utah Power & Light Co.
P.O. Box 899
Salt Lake City, Utah
Name
Address
City State Zip
New issues of securities are offered only by means of Prospectus, and this message is neither an offer nor a solicitation of any offer to buy. FO780
utah power
& LIGHT COMPANY

A crack team of IBM specialis

You may think this man is working alone. He's not. Every IBM customer engineer is backed up by a team of specialists. He is linked, for example, to a product support center with a data base of up-to-date fixes available on a wide range of IBM equipment and systems. Through terminals, experts often examine a customer's problem thousands of miles away, just as if they were there alongside the customer engineer.

A consultation can be set up over teleph lines directly with the engineers who desig the system, whether they're in an IBM labo tory in San Jose, California or Boeblingen, W Germany. For some IBM systems our custo engineers bring along diagnostic gear that pa the power of a computer into a small suitcase.

You may not need to call a customer engin very often, but through the resources of the I



wers an urgent customer call.

Engineering Division, a customer engineer y when you need one, be it night or day. never stop designing new products or ing existing ones. Typically, customer ers spend at least a month each year in intensive training so they're well prepared to handle, by themselves, most of the problems they encounter. But even though that lone customer engineer on the deserted escalator may be by himself, it's good to know he's never alone.

The way we put it all together is what sets us apart.

IBM
Data Processing Division

Racetrack terms sound out of place around SAFECO's staid headquarters, but you could call this insurance company . . .

The muddy tracker

By Dero A. Saunders

BACK IN 1953 an obscure young Omaha stockbroker named Warren Buffett wrote Hawthorne Dent, founder and president of the Seattle-based property and casualty underwriter that is now SAFECO Corp., seeking financial information on the company. Buffett thought he could place quite a bit of the stock in the Omaha area. Dent replied that he was not planning to issue more stock

SAFECO Chairman Gordon Sweany (right) *and President Roland Trafton*
If underwriting profit is tougher to get, why not aim for more market share?

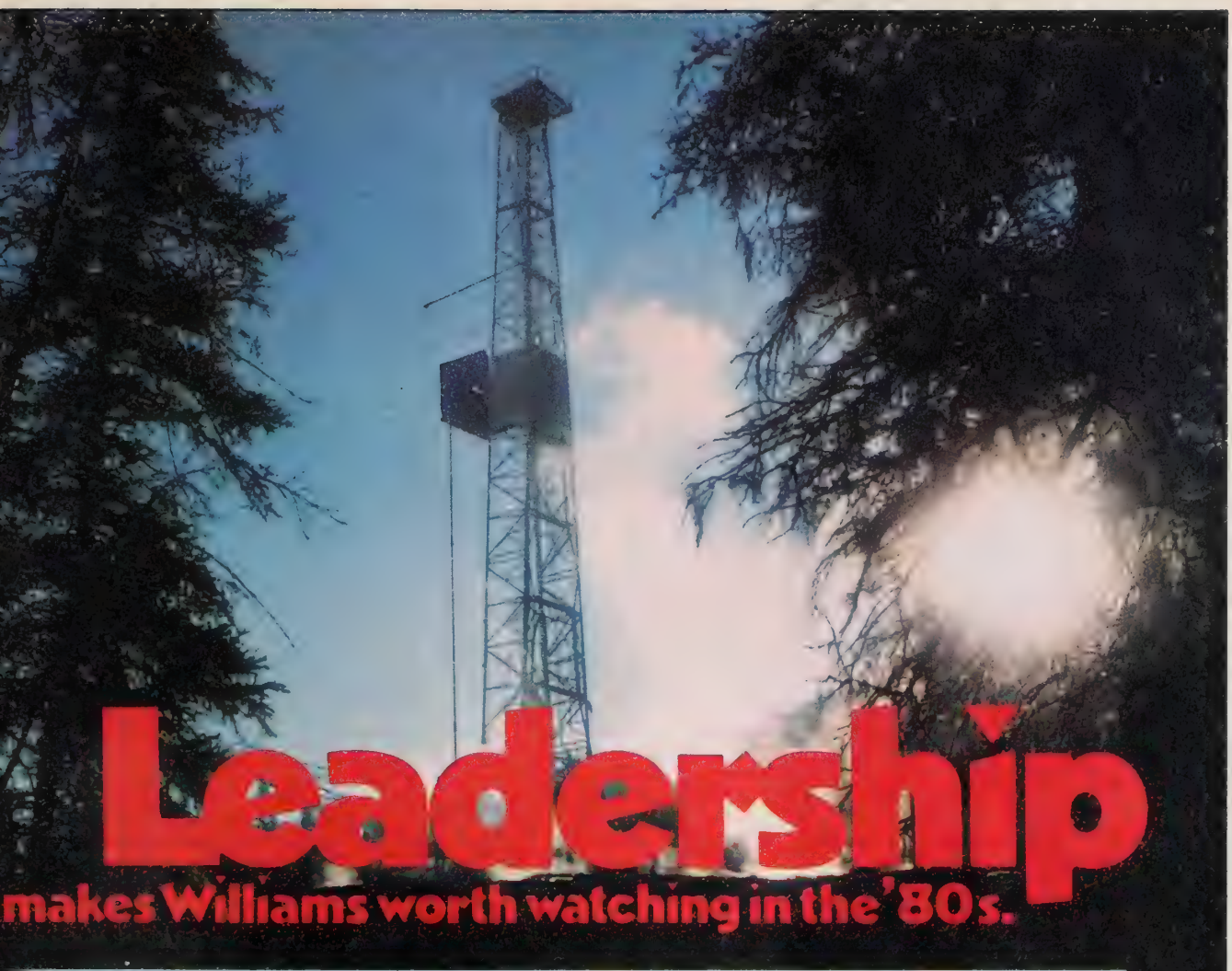
and was not interested in seein good friends in Seattle sell any perhaps Buffett could recommen his clients buy their insurance SAFECO?

What had caught Buffett's eye uniqueness that still prevails at SAF The uniqueness centered around a mination, almost approaching obse that the company would run its bu with such tautness and choose its with such care that it could ser policyholders well and still make n on its underwriting—something property and casualty companies whole did not achieve last year, f ample. More commonly they lose n with cut-rate premiums in the h making it up from investing the serves; and this often leads to the tation in high-interest times, as it the last year, to price-cut on premiu order to get hold of investment (FORBES, *Apr. 28*).

SAFECO's headquarters overlook huge campus of the University of ington and its adjoining lakes o northern edge of Seattle. Note th tance from Hartford's Farmington nue or New York's Maiden Lane c of the other great insurance ce Thus insulated from industry g think, SAFECO has been able to r to a different drummer. There smoking in the office, for example the 15-minute morning coffee bre announced by soft music whose ha quiet but pointed reminder that em ees are due back at their desks.

The company's deliberate insul has spawned any number of crucial vations. Back in the Fifties, for exa SAFECO inaugurated direct billin collection of premiums, much t alarm of its independent insu agents at the time. The change, widely copied, probably prevent complete takeover of the busine Sears, Roebuck's Allstate subsi State Farm, and the other "direct ers" with captive sales staffs. A deca so later SAFECO led in putting its policies on a six-month renewal ba the only way, in an inflationary p to keep yesterday's premiums fro ing more than eaten up by today's ing costs.

This tradition of careful oper plus innovation has been carried recent years by prim, precise Chai Gordon H. Sweany and by the benign-looking (but equally tough) I dent Roland M. Trafton. The com has shown an underwriting prof every year of the last 20 save 2— and 1975—years still recalled with lipped grimness around headqua With $759 million in net premium year, the company was about the largest U.S. property/casualty under er. But it led the top 33 compani



Leadership

makes Williams worth watching in the '80s.

The Williams Companies *invested over half a billion dollars during the '70s to become a resource-rich energy company.*

During this period, ***Williams Exploration Company*** *was built from scratch into a very successful oil and gas exploration, development and transportation firm with substantial production and an enviable inventory of undeveloped leases.*

Williams Pipe Line Company *has owned and operated the world's largest independent common carrier petroleum pipeline system for 15 years, but major expenditures during the '70s lengthened its system to 8,500 miles, increased capacity and broadened service lines to enhance its leadership position.*

In 1977, Williams acquired a 27.5 percent interest in ***Peabody Coal Company,*** *the largest coal producer in the United States. Peabody's proven reserves are almost 9 billion tons, and Williams' interest equates to 90 tons of coal reserves for each share of Williams' common stock.*

But Williams is more than an energy company. *Williams also invested over three-quarters of a billion dollars during the '70s to strengthen its fertilizer and metals businesses, achieving strong leadership positions in these two essential industries, as well.*

adership, along with corporate balance and increased earnings make "Williams worth tching in the '80s." Learn more about Williams (WMB-NYSE) by writing L. R. Francisco, anager-investor relations, The Williams Companies, One Williams Center, Tulsa, OK 74172.

WILLIAMS

THE FERTILIZER, ENERGY AND METALS COMPANY

rico Chemical Company • Williams Exploration Company • Williams Pipe Line Company • Edgcomb Metals Company

"At Prudential, the sound management of factual information enables us to build a brighter, more sec future for more than 50 million policyholders."

Robert A. Beck

Robert A. Beck, Chairman, Chief Executive Officer
Prudential Insurance Company of America

At Dun & Bradstreet, our job is to help.

nen you hear the phrase, ece of the rock," you think ediately of Prudential. e pleased that a company ell known thinks of The & Bradstreet Corporation n it needs current, factual ness information. udential, and companies , know that D&B's 16 ating units offer a wide e of reliable, rock-solid ness information and ces.

ur newest company, onal CSS, provides com- r time-sharing services to al Prudential offices s the country, helping to e Prudential's work flow e smoothly.

n's Marketing Services des Prudential with its s Market Identifiers, a ble aid to agents in pinpointing corporate insurance prospects.

Another Dun & Bradstreet company, Moody's Investors Service, rates Prudential's commercial paper and supplies Moody's Manuals, the Handbook of Common Stocks, Bond Survey, Bond Record, International Bond Review and its Commercial Paper Report Service... all of which aid Prudential in making sound investment decisions.

Dun & Bradstreet Credit Services provides Prudential and its various divisions with commercial credit reports and reference books to assist management in making business decisions. And D&B's Change Notification Service provides Prudential with automated account monitoring.

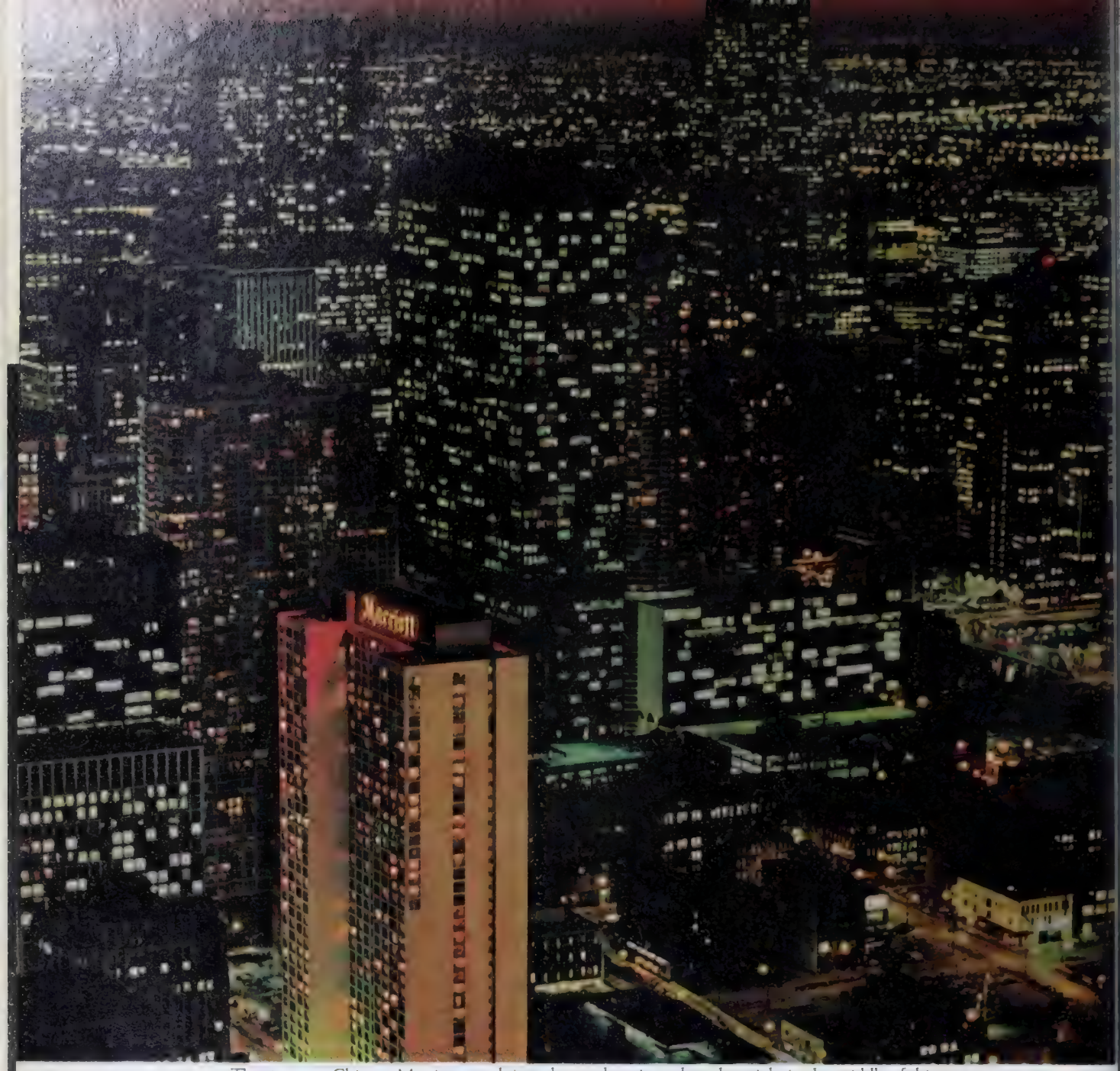
The Fantus Company, another Dun & Bradstreet company, has helped Prudential determine the most advantageous locations for a group of satellite offices radiating from Prudential's Mid America Home Office in Chicago.

And when travel information is required by Prudential's executives, they turn to Official Airline Guides, containing schedules and fare data on 600 airlines flying to 3,800 cities around the world.

These are just a few of the ways the companies of Dun & Bradstreet serve Prudential and other members of America's business community. No other company offers the unique combination of business information and services available from The Dun & Bradstreet Corporation... information and services that contribute to success.

The Dun & Bradstreet Corporation

Information Services: Dun & Bradstreet Credit & Information Services; Commercial Collection Division; Dun & Bradstreet International; Bradstreet Plan Services; National CSS; The Fantus Company; **Publishing:** Reuben H. Donnelley; Official Airline Guides, Travel Magazines; s Investors Service; Technical Publishing; Funk & Wagnalls; **Marketing Services:** Donnelley Marketing; Dun's Marketing Services; **sting:** Corinthian Television Stations; TVS Television Network; Peters, Griffin, Woodward.



The 45-story Chicago Marriott stands just about where it ought to be–right in the middle of things.

The right hotel is never hard to find

The Marriott Hotel people have built their reputation on doing things right.

And one of the things they do most consistently right is to be, somehow, in just the right location for the business you want to conduct, in any given city.

In New York, for instance, Marriott's Essex House is right on Central Park. In Chicago? Right on Michigan Avenue (photo)–and also at O'Hare International Airport. In Kansas City, Cleveland, Miami, L.A. and Rochester, also conveniently right near the airport. In Philadelphia? Right at the edge of the Main Line.

Some cities already have several Marriotts. Atlanta, four. Houston, three. Five in Washington, D.C. And new Marriotts are blooming worldwide. Marriott can now do it right for you in Saudi Arabia, Kuwait, Holland. Even right on the beach in resorts like Acapulco, Barbados, Santa Barbara, and Marco Island.

To reserve at a Marriott where you're headed, call a professional, your travel agent. Or dial toll-free 800-228-9290.

WHEN MARRIOTT DOES IT, THEY DO IT RIGHT.

Marriott Hotels.

) YOUR FIRST MINUTE
Y ONE OF
75 MARRIOTT HOTELS:
IATES
A, Airport, Downtown,
North, Perimeter Center
MD/Marriott's Hunt Valley Inn
, VA
LA
/North Michigan Avenue,
Marriott's Lincolnshire Resort
, OH
OH Airport and East
, OH
/Market Center and North
O
es, IO
nn Arbor, MI
rdale, FL
e, IN
TX
ids, MI
, PA
TX/At the Astrodome,
low, West Loop
lis, IN
y, MO
FL/Marriott's Casa Marina Resort
e Ozarks, MO/Tan-Tar-A Resort
es, CA
Clarksville, IN
nd, Fl/Marco Beach Hotel & Villas
l Rey, CA
e, WI
lis/Bloomington, MN
ns, LA
Beach, CA
NY/Marriott's Essex House
L
ia, PA
PA/Greentree and Monroeville
OR
, RI
irage, CA
Rancho Las Palmas Resort
NY/Airport and Thruway
ok, NJ
MO/Airport and Downtown
io, TX
sco Bay, CA/at Berkeley Marina
bara, CA/Santa Barbara Biltmore
a, CA
AZ/Marriott's Camelback Inn
NJ
, MA
CT
NY
Z
n, DC/Bethesda, Maryland,
ity, Dulles International Airport,
ge, Twin Bridges
IONAL
Mexico/Paraiso Marriott
n, The Netherlands
West Indies/Sam Lord's Castle
Saudi Arabia
y, Kuwait
udi Arabia/Khurais Marriott Hotel
California, '81
Y/Amherst, '81
OH/North '81
O/City Center '81
ad, SC '81
TX Airport '81
Kauai Marriott Resort '82
Maui Marriott Resort '81
ty, Panama '81
City, UT '81
/Sea Tac '81
'81
n, DC '81
r County, NY '81
ve a room at any one of
arriott Hotels, call toll-free
8-9290.

the field by a country mile with a so-called combined ratio (policy losses plus expenses) of 90.6%, compared with 94.2% for its next competitor and 100.8% for the 33 companies as a group.

SAFECO's profit picture has been just as outstanding. With about three-fourths of operating income contributed by property and casualty lines (about 10% each comes from life and title insurance, and the rest from a miscellany of related operations), per-share earnings since recession-plagued 1975 more than quintupled to $6.96, and more than doubled since the recovery year of 1976.

What concerns Messrs. Trafton and Sweany these days, however—as well as Senior Vice President Bruce Maines, who runs the property/casualty operation—is how SAFECO will fare in the distinctly rougher weather ahead. As FORBES noted recently ("Here we go again?" *Apr. 28*), a number of major property/casualty companies—among them Aetna, Continental, Crum & Forster and St. Paul—had sharp deteriorations in their combined ratios from 1978 to 1979, often going from black to red figures. Much of this was the predictable result of the widening gap between inflationary costs and rate increases, which state regulatory agencies have been increasingly reluctant to grant.

"We've never accepted the idea that we can take a lot of premiums and make up for a poor loss ratio by investment income."

But a major part of the deterioration might also be charged to the aforementioned premium-slashing companies. No one in the industry would quarrel with SAFECO's Maines when he says. "We have never accepted the idea that we can take a lot of premiums and invest them and make up for a poor loss ratio by investment income." Where losses start to appear, SAFECO resists the temptation to rationalize them by saying it needs the volume. It simply pulls out. When New York and New Jersey rate commissions tried to hold down premiums at the expense of the companies, SAFECO simply said good-bye to its business in those two states—though the pulling-out process in New York will take yet another year to complete. The pull-out cost the company some $60 million in yearly premiums, or about 10% of its total premium volume. But it also resulted in what Maines calls a "substantial profitability increase."

Back in the Fifties SAFECO's informal goal was a combined ratio about 5 points better than the industry. Since then, however, the industry has shown so much volatility that SAFECO has shifted its goal to 5 to 10 points of underwriting profit. That can only be a goal for two reasons. First, SAFECO is, after all, in a risk business ever vulnerable to catastrophes: Last year's Hurricane Frederic cost it $5 million net in property losses along the Gulf Coast ($10 million before reinsurance). And second, the company is also a prisoner of its own success: With a 9.4% underwriting profit last year, *vs.* a 1% loss for the property/casualty industry as a whole, SAFECO has a hard time persuading state insurance commissions to let it raise rates. Maines, who is the man on the property/casualty firing line, thinks the company would do well to show 5 or 6 points of underwriting profit this year. Maines is somewhat concerned, for example, that the first quarter of 1980 did not show much gain over the first quarter of 1979—even though a relatively benign winter and lower driving speeds helped hold down the cost of claims. Catastrophes aside, SAFECO should earn no more ($6.96 per share) this year than last.

Which makes company brass all the more determined to show a different kind of progress this year—in market share. *Market share*? For a company like SAFECO? In fact, this is the other side of the company's counterpunching strategy. Just as it deliberately gives up market share when rivals are cutting rates, so it goes for gains when rivals are *raising* rates. "When underwriting margins shrink," Maines says, "the rest of the industry is more reluctant to press their marketing effort and more business is available to us. We have called ourselves 'muddy trackers' on occasion." Maines makes a wry face. The racetrack term clearly displeases him, but he continues: "I don't like the term. But tough underwriting times for the industry are times when SAFECO usually does well in growth."

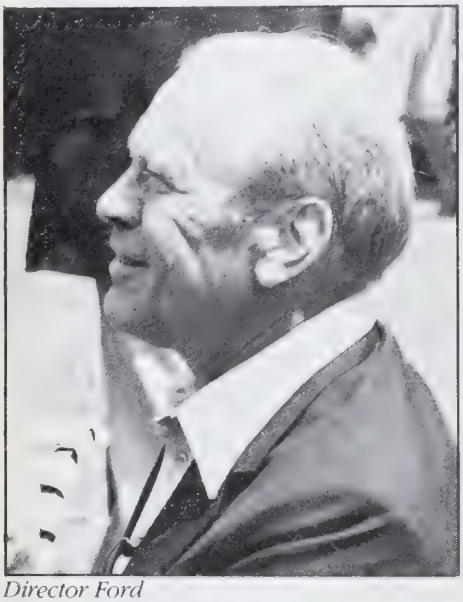
It does so by pointedly reminding its agents—and prospective agents—that it is always in the market for desirable new property and casualty business; it does not say, as companies with 100-plus combined ratios are prone to do, "Sorry, we're taking no more private passenger automobile business at present." Currently SAFECO is pointing out this difference in a major advertising campaign in the insurance journals.

All this remains of considerable interest to Warren Buffett (FORBES, *Aug. 6, 1979*), now the investment sage of Omaha and widely hailed as one of the world's outstanding money managers. For over 25 years he patiently followed SAFECO's stock until, says Trafton, "It finally had gotten to where it was selling below book value and met the Ben Graham and Buffett criteria, so he moved in." He has been SAFECO's largest shareholder since early 1978 and now holds some 1.5 million shares, or 7.6% of the outstanding. ■

Faces
Behind The Figures

A new model Ford?

In one 13-day period this spring, former President Gerald R. Ford was elected to the boards of: Santa Fe International (oil drilling and engineering), GK Technologies (wire and electrical components) and New York's Shearson Loeb Rhoades, one of the nation's largest brokers. He is already a director of the Monterey, Calif. luxury resort operator, Pebble Beach Corp., near San Francisco, and later this



Director Ford
Sitting this one out.

year will join the board of at least one more company, Tiger International. "I'm very healthy, very active and I want to continue to be a productive, constructive person," says the 66-year-old Ford. Of politics, he adds: "I've made a definite decision not to be active in an office-holding way."

Jerry Ford, however, has a couple of surprising political predictions: Ronald Reagan has "no better than a 50-50 chance" of defeating Carter in November; John Anderson could easily throw the election into the House of Representatives. "I think having 435 members of the House pick the next President is a mistake," he adds.—*Jeff Blyskal*

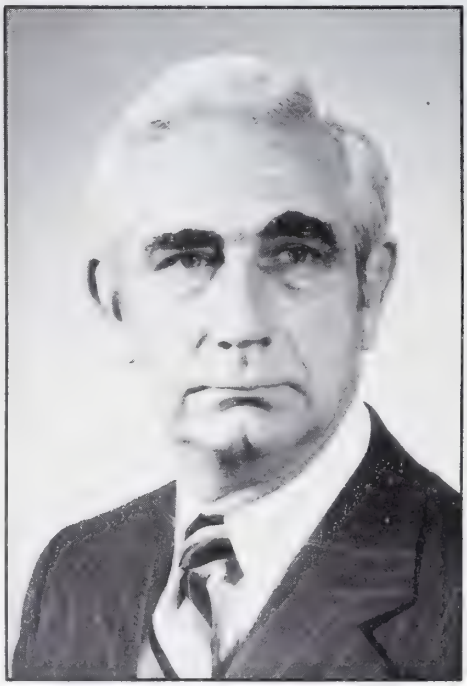
Runyon-san?

Marvin T. Runyon, the man Detroit believes will run Nissan of Japan's planned U.S. truck plant, remembers the time he had his Ford Motor Co. manufacturing experts tear down a Japanese-made small truck and compare it to Ford's American models. "It was somewhat better than ours," Runyon admits with an engineer's precision, "about 8% better."

Runyon resigned as of July 1 as Ford's vice president for body and assembly operations. Is he moving to Nissan? He will only say that, at the age of 55, he felt it was time for a change. "If I wait too much longer I'll be too old," he says, "and if I'd left earlier they'd say I wasn't seasoned." A native of Ft. Worth, he says he also wants to get back to the Sunbelt. Interestingly, Nissan's future plant, expected to be turning out up to 120,000 small trucks a year beginning in 1983, may well be located in the Sunbelt.

But Runyon does have some thoughts on quality—and he talks admiringly of what he's heard about the Japanese system. "In a Japanese plant, 99% of the people are involved in solving problems," he says. "They feel a responsibility to raise their own productivity." He also has begun to question the way U.S. companies handle workers. "In the U.S., if somebody doesn't do his job right, we call him down; that's a form of recognition. But seldom does an American company call a guy down to the office and commend him for doing his job *right*."

Runyon put in 37 years at Ford. His father was a Ford executive in Texas. One of his sons is in Ford's financial department. Marvin Runyon's first job was on a Texas assembly line before he got his engineering degree from Texas A&M in 1948. One of his specialties was setting up new Ford plants—obviously an attraction for Nissan. The number two Japanese vehicle maker behind Toyota both in Japan and in the U.S. (where it is better known by its Datsun nameplate), Nissan was first into the U.S. auto mar-



Ex-Ford executive Runyon
A run on Detroit's upper-middle?

ket, but lost the top spot to Toyo which now seems determined to do same thing in light trucks.

If other Japanese carmakers, par larly Toyota, decide to build in Ame there could be a little run on upper-dle level Detroit executives. That m be welcome just now in the Motor where lifetime employment is no vogue.—*Jerry Flint*

Shank of Tonka
The temporary became permanent.

Destiny's toy

In December lawyer Stephen G. Sh 35, "temporarily" took over trou toymaker Tonka Corp. while the di tors looked for a permanent CEO. W the votes came in, the choice was Sh himself, who had cooked up an antit suit to save the Spring Park, Minn.-b company from a hostile takeover bi larger rival Mego. Now Shank is pre ing record sales of $140 million in recession year. Earnings, he says, c break 1973's record of $2.28 per shar

Tonka's unusually durable steel trucks have been part of the childhoo millions of American boys since company was founded in 1946, but seat-of-the-pants managers failed come up with a good line of toys for g Even in *toy* trucks the Japanese are gi U.S. businesses trouble: Their chea more modern-looking line took ma share away from Tonka.

In 1978 then-Chairman Peter Wim tried to do everything at once. brought out 70 new products that buyers liked, but the company coul retool fast enough. Tonka lost $1.4 share in 1978, and Wimsatt was out.

The trim, handsome Shank, an O homa-born graduate of the Universit Iowa, decided to join a Midwest law f after Harvard Law School instead of in the pressure cookers of New York

Put Corroon & Black at the controls.

Our risk management programs can keep business insurance costs from going sky-high.

No one needs to tell you about the cost of inflation. And no one can help you control costs of business insurance better than Corroon & Black.

We're the business insurance brokers who've made a worldwide name for ourselves over the last 75 years. One reason has been our risk management programs for businesses, large and small.

Call in Corroon & Black and we'll analyze your insurance program, inside and out. We'll show you ways to prevent losses. Recommend the best coverages – at the best prices. And even design a risk management program that meets the special needs of your business.

It's this kind of approach to business insurance that's made Corroon & Black one of the largest brokers in the world – with over 90 offices worldwide.

If your insurance costs seem out of control, contact Corroon & Black for an analysis of your insurance program.

Call Richard M. Miller, President, toll-free, at 800-221-7024. (In New York, call collect, 212-363-4100.)

Corroon & Black

Wall Street Plaza, New York, NY 10005 • Offices nationwide and worldwide

CATERPI

How does the world's biggest name in earthmovers keep moving around the world?

Ask Chicago's Bank.

First Chicago has been an important supplier of financial fuel to keep Caterpillar Tractor Co. moving since the early days of the company. From the Middle West to the Middle East, from the United Kingdom to Hong Kong, we provide a list of services that reads like an encyclopedia of banking. In addition to substantial lines of credit, we manage a portion of Caterpillar's worldwide pension fund, help finance a joint venture, provide shareholder services, act as indenture trustee and trustee for the employee investment plan.

Shortly after World War II, at Caterpillar's request, First Chicago began an autonomous financing program for some of the company's independent dealers. Since then we've provided inventory, fixed asset and receivables financing that supports sales all over the world. And helps keep the corporation's funds free for productive international investment.

Recently Caterpillar called in First Chicago to implement a new remittance system from 96 dealers in 49 states. We put together a unique version of an advanced electronic system that eliminates mail float entirely. Through a flexible, innovative approach, we were able to solve problems and get the system on its feet in short order. Result: the company no longer has to depend on uncertain mail transit. And cash flow can be predicted with pinpoint accuracy.

That's just the latest in a long line of benefits Caterpillar Tractor Co. and its worldwide network of dealers reap from their relationship with First Chicago. And that same kind of relationship can be yours for the asking. Phone Dick Stranger, Vice President and Group Head, Multinational Corporate Banking, (312) 732-6244.

Whatever your business interests, from capital equipment to consumer goods to energy and more, First Chicago can help. In Chicago, in one of our nine regional offices listed below, or anywhere else in the world, ask Chicago's Bank.

FIRST CHICAGO
The First National Bank of Chicago

Atlanta • Baltimore • Chicago • Cleveland • Dallas • Houston • Los Angeles • New York • San Francisco

Australia • Belgium • Brazil • Canada • Cayman Islands • France • Greece • Haiti • Hong Kong • Indonesia • Ireland
Italy • Jamaica • Japan • Kenya • Korea • Lebanon • Mexico • Panama • The Philippines • Poland • Singapore • Spain
Sweden • Switzerland • United Arab Emirates • United Kingdom • Venezuela • West Germany

© 1980 The First National Bank of Chicago. Member F.D.I.C.

Faces
Behind The Figures

Washington. "I put enough pressure on myself without any institutional additions," he says. He joined Tonka as legal secretary in 1974, shortly before it began to fall apart and he was asked to pick up the pieces.

Shank says Tonka may broaden its line, perhaps into more toys to appeal to girls like his two daughters, 11 and 8. In the meantime, he's in no hurry to restore the cash dividend, suspended last year, until he builds up liquidity and balance-sheet staying power. "Don't write that we've turned around," he says. "I won't say that until our aftertax return on sales doubles from about 3% this year." That would mean earnings of almost $5, not bad for a stock now selling at slightly over 10.—*Robert J. Flaherty*

Grade ahead, passing permitted

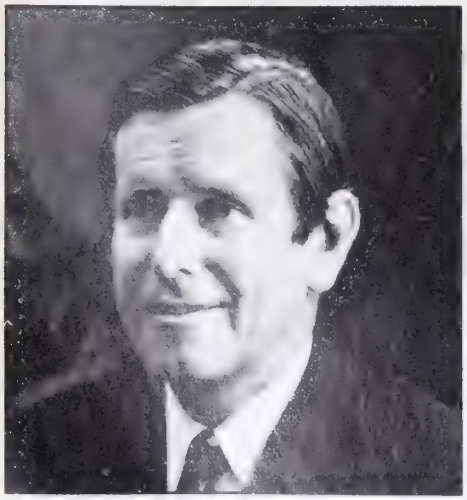
PACCAR Inc.'s heavy-truck business did well in the first quarter: Sales of the $1.9 billion (revenues) Bellevue, Wash. company rose 12%, to $518 million, and net was up 25%, to $4.16 a share. But then the bottom fell out of the market.

"I don't know if the truck business will be off 60% this year as it was in '74 and '75," says President Charles M. Pigott, grandson of PACCAR's founder. "But we feel it'll be off 30%, maybe 40%." And a new Peterbilt assembly plant is just cranking up in Denton, Tex.

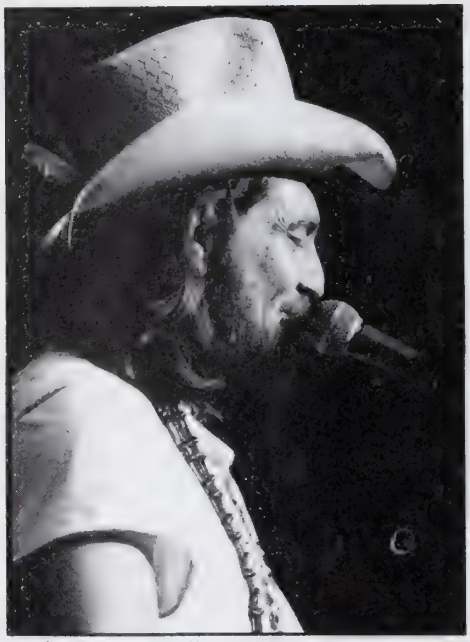
But Pigott, a lean, determined man of 51, is not dismayed. "A recession is not necessarily the worst time to bring on a new plant," he explains."It's not good for P&L, but they are able to train people more carefully; and quality is so important."

Pigott is thinking of PACCAR's two best markets: its traditional customers, the independent truckers who paint their rigs as many as five colors and treat them more like mistresses than machines; and its largest markets, industrial outfits ranging from oil companies to grocery chains. It is weaker among the big common carriers, which Pigott views as price buyers.

PACCAR has grown steadily in big 33,000-pounds-and-up Class VIII trucks to about 16% to 17% of the market, *vs.* about 22% for leader International Harvester—which has just taken a bitter strike that kept it from delivering for nearly seven months—and 18% to 19% for Mack. Could PACCAR's new capacity give it enough points to pass Mack? Pigott says that's not his goal. But he adds, "It's possible."—*Dero A. Saunders*



Pigott of PACCAR
No goal, but a distinct possibility.



Outlaw singer Willie Nelson
Putting his brand on his fans.

Tell them Willie Boy is here

Country singer Willie Nelson's fans admire him because he made it big without selling out. But time brings all things. Just like Gloria Vanderbilt's, Willie Nelson's name now decorates blue jeans. Mr. Fine Inc., a Dallas apparel maker, has sold 575,000 pairs of Willie Nelson jeans in three months, and if sales hold up, Willie stands to make a cool $1 million in the first year alone.

Nelson got into promotion through a friend, Dallas Cowboy football player Charlie Waters, who runs Pro-Motion Inc. in Dallas on the side. "Charlie wanted to get into the blue-jean business, so we just done it," drawls Willie. Pro-Motion Inc. gets around 7% of the $13 to $14 wholesale price of the jeans an wards over half of it to Willie. So W gets 50 cents or so every time a mac embroiders his name.

What's in a name? Plenty. At $12 ticket, Willie's mostly young, m blue-collar fans line up outside the cert halls before his shows, and hoo holler while their hero—stocky, scr red hair braided down to his belly a rhinestone in his ear—sings his law" music. Willie's jeans will be ap ing this month in nationwide chains County Seat and The Limited, and ters has plans to put Willie's name logo on Western shirts, down vest shirts, satin jackets, sweatshirts caps. Willie may wind up the ri outlaw around.—*Toni Mack*

Getting cautious

Since the invasion of Afghanistan one deal involving U.S. bank loan Eastern Europe, a $250 million loa Hungary, has actually worked out. A tinational syndicate loan to East many gradually fell apart until only tria remained, and a proposed $200 lion loan to Czechoslovakia has American bank in its management gr

There is more to it than Afghani says Lawrence Brainard, head of Ban Trust's international economic divi The risks are clearly economic as we political. Eastern Europe is alread hock to the West to the tune of billion, up from $16 billion five years and is running more than a $5 bi trade deficit. Eastern European nat had hoped to cover their increase bills and payments on Western with increased exports. But with e one trying to play the same game, didn't happen.

Bankers Trust's Brainard
Luckily, it's not bread and butter.

World Currencies.

Why the IMM has expanded its foreign exchange markets.

One of the most successful innovations in the world of international exchange is our group of foreign currency futures contracts: British pounds,Canadian dollars, Swiss francs, Deutsche marks, Japanese yen, Mexican pesos, French francs and Dutch guilders. Almost one million contracts were traded in the first quarter of this year alone. That translates into daily volume that frequently approaches a billion dollars.

Now we have greatly increased the scope and flexibility of the IMM's foreign exchange markets with several important changes. Foremost among these is doubling the number of contract months from four to eight per year. This will serve to expand the opportunities for banks, corporations and other traders engaged in hedging, arbitraging and spreading. The expanded schedule offers regular contracts for January, March, April, June, July, September, October and December.

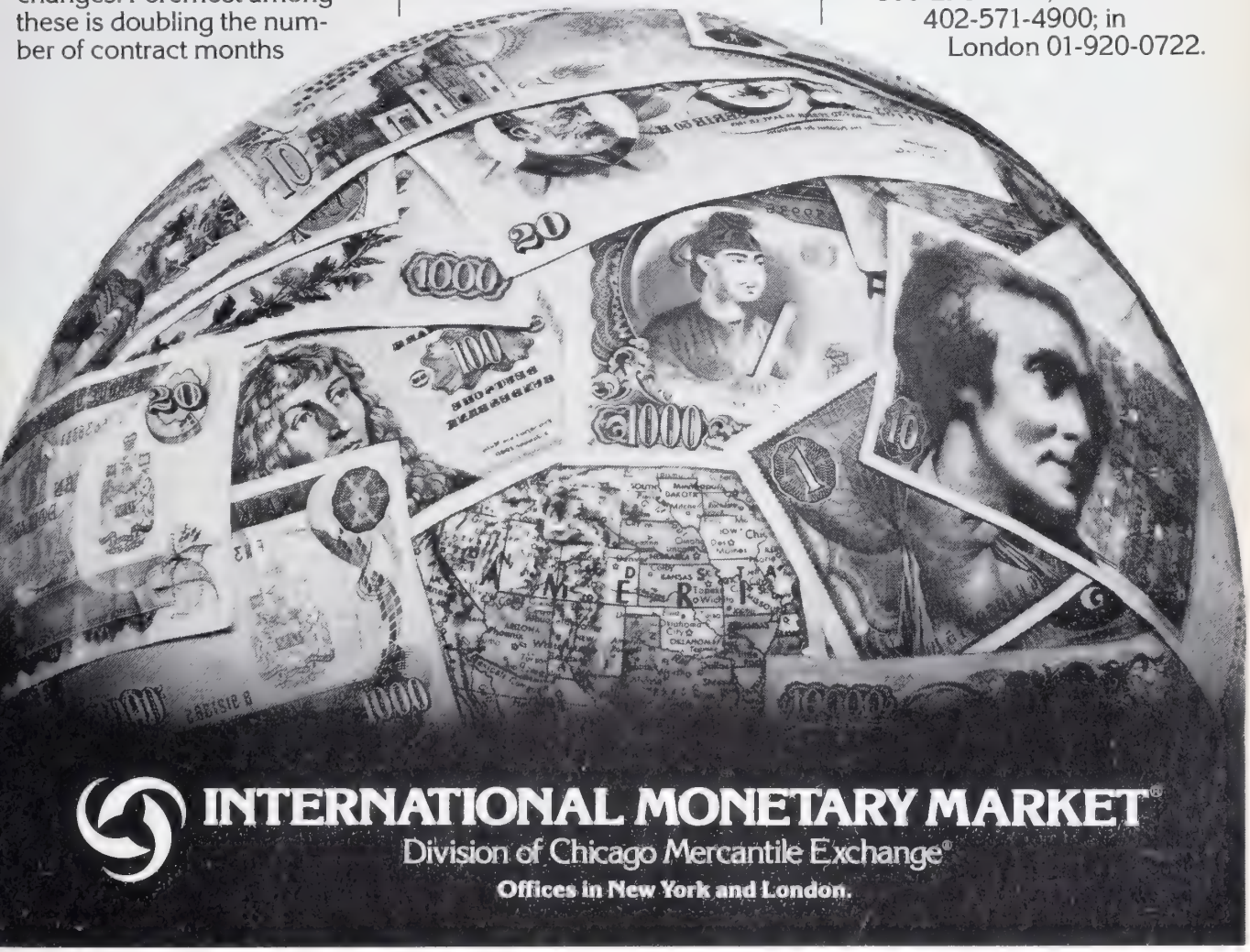
In addition to the schedule of regular contracts, the four remaining months of February, May, August and November will be inserted in the "spot" month rotation, making it possible to trade in a current month throughout the year.

A spot month trades without daily price limits so it can constantly stay in line with world interbank prices, signifying the increasingly close relationship that exists between the IMM and the global foreign exchange market.

The business of the IMM is to respond to the needs of corporations, banks and individuals who use it. The transfer of foreign exchange risk to the IMM's futures markets has become an important aspect of doing business.

We are at your service.

For more information call 800-228-2027; in Nebraska 402-571-4900; in London 01-920-0722.



INTERNATIONAL MONETARY MARKET®

Division of Chicago Mercantile Exchange®

Offices in New York and London.

Faces
Behind The Figures

"We're taking a more cautious approach," says Brainard, a 35-year-old former Purdue economics professor. "U.S. trade with Eastern Europe accounts for only 1% of our total trade, while it accounts for 8% of West Germany's. What you'll see is a divergent evaluation of the risks of lending to Eastern Europe. U.S. businessmen sense those risks have risen. But to the Western Europeans, it's bread and butter." What he means is that if the Western Europeans want to continue selling their goods on credit to Eastern Europe, then the Western Europeans themselves will have to shoulder the risks.—*Elizabeth Bailey*

Problems? What problems?

Frederick J. Ross is still bitter about the 21 years he spent getting to be president of Carborundum Co. only to lose his job after Kennecott took over in 1978. "We made one fatal mistake," he says. "We let our cash pile up waiting for the right acquisitions and attracted a raider." Ross doesn't intend to make the same mistake at Raybestos-Manhattan, the smallish (1979 sales, just under $300 million) maker of brake and transmission friction materials, where he has been president since December. "If I don't turn this company around," he says, "someone else will."

That could well be AVC Corp., which owns 7% of Raybestos' 2.3 million shares outstanding and has an option to buy the 14% control block held by the family of Chairman W.S. Simpson at a price considerably above the recent $18. So Ross is moving fast. He has restructured Raybestos—splitting the biggest division into three parts—fired or laid off at least 25% of its salaried employees and filled many key slots with aggressive outsiders. He's also stressing acquisitions, international sales and R&D for new products.

Ross of Raybestos-Manhattan
A few upside-down opportunities.

Raybestos has big problems. The biggest is $6 billion in lawsuits brought by shipyard workers who claimed Raybestos products among others caused them to contract asbestos-related illnesses. Ross claims the suits will be settled at amounts well under the company's insurance coverage, but he's also contending with strikes at manufacturers of off-road vehicles, the auto industry's downturn and new technology that uses non-asbestos friction material linings.

"A problem is just an opportunity turned upside down," says Ross, a marathon runner in his leisure time. Within five years, he says, return on equity will triple from last year's 5.3%, and sales should more than double, to at least $750 million.—*Robert J. Flaherty*

Book of the season

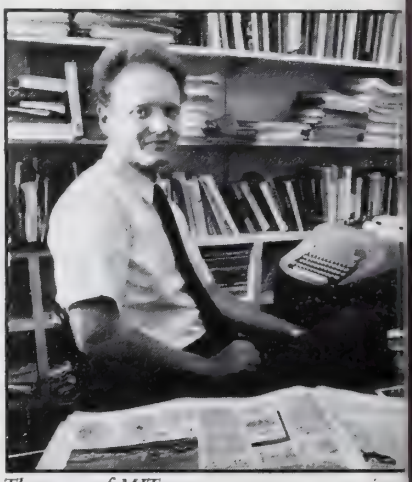
Within two months of publication *The Zero-Sum Society*, written by MIT economics professor Lester C. Thurow, has become the book to have read, to be reading or to plan to read. The new guru of popular economics is 42 years old, with a ruddy complexion and boyish looks that more than qualify him as the new intellectual pinup.

Politics, though, is what Thurow's book is all about. America's political economy, he says, is incapable of imposing the heavy economic costs on its citizens that are necessary to solve our problems. "There are solutions, but we're not going to adopt them," says Thurow. "All of these solutions would require a government willing to lower a substantial portion of the population's income. But we can't organize ourselves politically to do that."

The introduction to *The Zero-Sum Society* says it all: The problem is that in our democratic system minorities have the power to veto solutions they perceive as contrary to their interests—and in recent years that is precisely what they have done. The result has been national paralysis and drift.

Thurow hammers this point home throughout his short (214 pages) analysis of our economic woes. "Everyone is in favor of energy independence in general," he says, "but there are vigorous objectors to every particular path to energy independence." The citizens of Montana do not want their land despoiled by coal mining so that New Yorkers can warm in winter. That's the zero game. For every winner there is a Individuals do not sacrifice eq Some gain; some lose.

So what does Thurow propose? S leadership that can get the political together by legislating economic equ and rational taxation to eliminate f itism and special-interest advan



Thurow of MIT
But who will make the sacrifice?

and thus cause productivity to res That sounds somewhat more like T Kennedy than it does Ronald Re Thurow advocates putting a safet under workers by heavy financing training and interim aid for emplo who lose their jobs in sick indus Neither Chrysler nor any other s industry need be bailed out, since work force itself would be protecte government.

Thurow would do away with t and subsidies, cut down regulation inhibits strong businesses, scrap trust laws ("If General Motors is the American auto company, it's still g to be fighting off the Japanese," he FORBES) and stimulate capital in ment by abolishing corporate taxes. sting is that in Thurowland a corp investment committee of governm and industry would produce a consis economic policy that makes U.S.A. more competitive with West Gern Inc. and Japan Inc. Freedom for busi to do exactly as it wishes, so long a what the government wants.

Thurow writes well. In a *New Times* poll no fewer than four lit picked his book as a first choice for s mer reading. But his diagnosis is b than his medicine. His solutions to problems, to the feeling that the f wheel of our economy is spinning w out of control, would require a pow government and an acquiescent citi ry such as this country has never kn Thurow's view of utopia is no mor tainable than was Sir Thomas M vision in 1516.—*Maurice Barnfather*

BRINGING IMAGINATION TO THE BUSINESS OF ENERGY

When we built our first LP-gas pipeline in 1960, some people thought we were crazy.

Well, we've been crazy enough to grow handsomely in sales and revenues, profits and dividends, every year since that first pipeline was built.

Today, we're a uniquely balanced energy company. Our various divisions produce and market coal, LP-gas, oil, gas and liquid fertilizers. And yes, we continue to expand and operate our 6,600-mile network of pipelines.

In the next few years, we think it will take a certain kind of company to make it in the energy business.

It will take more than oil wells, coal mines, or even 6,600 miles of pipeline.

It will take imagination.

MAPCO

MAPCO INC. • 1800 S. BALTIMORE AVE. • TULSA, OK. 74119 • SYMBOL MDA/NYSE/MWSE/PSE

Nabisco and Digital. When a partner

At Nabisco, two major divisions had the same major problem. Their nationwide distribution systems were still far too dependent on manual operations.

The Biscuit Division was processing 18,000 multi-item orders every day. All by hand.

The Food Services Division was keeping track of 300 separate stock-keeping units for over 10,000 customers. All by hand.

Deciding to computerize was easy. Deciding on a computer company was anything but. In fact, there was really only one company for the job. Digital.

You see, Nabisco needed a partner. They needed a long-term commitment from a leading computer company. And they were very demanding.

They wanted both computer systems decentralized, since most users were at the local level. They wanted them interactive, so users could have quicker, more direct access to information. They wanted them technologically advanced, so many different operations could be performed. And they wanted each system to be nationwide, with full support service in over 170 locations.

Now, lots of computer companies can meet some of these requirements. Digital could meet them all.

Digital is the acknowledged leader in interactive minicomputers. Each Nabisco

"Digital became partners with us—their computers are essential to us. They proved they can support an organization this size."

Gus Fendrock
Divisional Vice President-
Management Information Services
Nabisco, Inc.

vas needed, the leader came through.

sion was able to get a system that was onwide, yet completely localized.

Digital makes a broader range of state-he-art hardware than anyone else. So bisco was able to get the right computer each local application.

Finally, Digital's support service is second one. Even with a huge, national client Nabisco, Digital was able to ensure a onse time of four hours or less in most of 170 locations.

As Nabisco found out, Digital has every-g you could want from a leader. Broad duct line. Advanced technology. Innovative cepts. Superb support. And unsurpassed erience in the interactive computer field.

So whether you're a corporate giant like Nabisco or a small business trying to reduce your paperwork, you, too, can be partners with the leader.

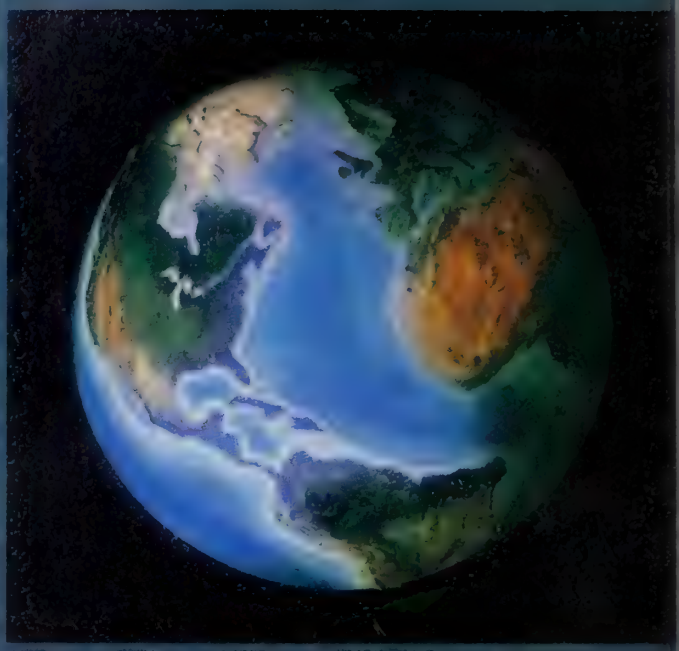
Digital. For computers. And computer solutions.

Digital Equipment Corporation, 129 Parker Street, Maynard, MA 01754, Dept PK3-2/M18. European headquarters 12 av des Morgines, 1213 Petit-Lancy/Geneva. In Canada Digital Equipment of Canada, Ltd

digital

THEORY:

A top international bank must offer an extensive global network for truly comprehensive service.



REALITY:

Continental Bank has a global network of over 100 offices in 31 countries, including all major money markets in the world.

Our worldwide network serves as an essential tool to the Continental banker, providing the capacity for timely response and comprehensive follow-through. It's what you expect from a top international bank. At Continental Bank, it's reality.

CONTINENTAL BANK

Continental Illinois National Bank and
Trust Company of Chicago

Argentina · Australia · Austria · Bahamas · Bahrain · Belgium · Brazil · Canada · Colombia · France · Greece · Hong Kong · Indonesia · Italy · Japan · Kenya · Korea · Lebanon · Malaysia · Mexico · The Netherlands · The Philippines · Singapore · Spain · Switzerland · Taiwan · Thailand · United Kingdom · Venezuela · West Germany
United States · Chicago · New York · Los Angeles · Houston · Dallas · Miami · Cleveland · San Francisco · Denver

ble say the Administration will soon get country moving again. But what will that o our standard of living?

A short recession? r a long, hard one?

by Ashby Bladen

NOTHER boom-bust cycle brew- ? I doubt it. The bust has already rted but from now on booms will easingly difficult to engineer in untry, because they will entail a higher cost in terms of inflation. sted ourselves out of the last re- by means of an explosion of debt on both domestically and inter- lly, and by now we are dangerous- ndebted at home and abroad.

e moment the U.S. economy is in of free fall. Many economists start e optimistic premise that it is lly imperative for the economy to nding again come Election Day, by autumn the government will owing and spending at an enor- ate in order to "get the country again," and the Fed will be mak- lit readily available. So the econo- l bottom out in the third quarter, rt moving up again in the fourth. scenario is based upon a whole- easure of disillusioned political m, but it ignores our enormous lation of short-term internation- s. Ever since oil prices started to the end of 1973, the U.S. banking has kept the world going by ac- deposits from the oil-rich , then relending the money to ing countries, who are unlikely to to repay their debts. This recy- the petrodollars appears to have out as far as it can go.

In the process of holding the world together, the U.S. banking system has done what any financial institution or system does—borrow short and lend long, on a monumental scale. Estimating our international short-term indebtedness is an exercise in futility, in my opinion. Anybody who takes a dim view of the prospects for the external value of the dollar can increase our foreign liabilities simply by borrowing dollars and using them to buy yen, deutsche marks or gold someplace else. But people who like to make such estimates come up with figures in the neighborhood of half a trillion dollars, or about a quarter of a year's national income.

By now the rest of the world (not to mention a great many Americans) has grown so skeptical about our political will and ability to manage our affairs prudently that every step we take that reinforces the skepticism touches off a selling wave of dollars. Unfortunately, our standard of living depends to a considerable extent upon the external value of the dollar, because that determines how much we get for our exports, and what our imports cost us. So here's the not-very-pretty picture: Any political attempt to restimulate the economy is likely to be greeted with massive selling of dollars, and a fall in our standard of living. A threat of war emphasizing the military vulnerability of Germany and Japan might strengthen the dollar, but that would hardly be desirable.

Quite bluntly, there is no way to stimulate the economy into boom again without leading to intolerable inflation. Am I predicting, then, that we are heading into a period of mass unemployment like the 1930s? No, but it does seem likely that the American standard of living will continue to decline.

Under these circumstances, what are the prospects for the various kinds of investments that most of us own, or would consider owning? My fellow FORBES columnist David Dreman believes that Americans may turn back to common stocks in desperation as they realize that during an inflation bonds and other fixed-income claims are sure losers. He may be right, and it is certainly true that the prices of a great many common stocks are modest in relation to the accumulated investment that they represent. But it is also true that many large, publicly owned businesses in this country no longer earn a reasonable return on investment. Moreover, their earnings are falling sharply now as recession sets in, and many companies will be in the red. After the short-term borrowing spree of the last four years, there are bound to be some unexpected bankruptcies. In short, the stock market makes me nervous. If you do buy or own common stocks, I suggest that you stick with the best-managed, most solidly financed.

I also suggest that bond buyers keep a weather eye on foreign exchange rates. We have had a stunning rally in the bond market as people have come to realize that the recession is indeed here at last. That was only to be expected after the enormous fall in bond prices during the first quarter of the year, but since then the dollar has also turned very weak. As long as it remains weak, I would also be skeptical about the bond market.

In my book, *How To Cope with the Developing Financial Crisis,* I wrestled indecisively with the unpleasant question of the prospects for serious social disorder in this country. Since Miami, the outlook in that respect has unhappily become clearer. The cost of social welfare has been rising rapidly in recent years, and it will continue to soar under the impact of the slump. This comes at a time when our national standard of living and our willingness to pay taxes are both falling.

With inflation, the standard of living of people on social welfare is falling fast, and for some of them it is rapidly approaching the minimum subsistence level. This situation, in the hands of a singularly inept Administration, has all the ingredients of a disaster.

In my book I said that the first consideration, particularly for middle-aged and elderly people, would be finding a safe, convenient and satisfactory place to live. That advice looks even better today. Otherwise, at the moment, I still like Treasury bills. ■

---

den is senior vice president-investments uardian Life Insurance Co. of America, or of How to Cope with the Developing Crisis.

While German politicians carp and criticize the U.S., German bu nessmen are voting American—and bringing us not only their ma and their business, but their skills as well.

Drang nach U.S.A.

By Thomas C. O'Donnell with Christine Miles

A GERMAN EXECUTIVE based in North Carolina points to the only artwork in his office, a cartoon taped to his plain, tan file cabinet. A German is huddled in front of a travel agency reading a sign in the window. The sign exhorts: "Visit the Soviet Union before the Soviet Union visits you." It is a succinct way of explaining why the flow of German investment into the U.S. has recently become a flood.

While the Federal Republic's political leaders talk soothingly to a growling Russian Bear, its businessmen and investors are moving as much honey as they possibly can beyond his reach. German money, private and corporate alike, is pouring into the U.S. at a fast and growing clip—into companies and real estate and into building plants. The money is coming here for many reasons. Fear of the Bear is a powerful factor. Then, too, the dynamic German economy is generating capital faster than is needed at home, and the strength of the deutsche mark makes U.S. assets look temptingly cheap. Finally, the U.S. market is still the richest in the world and thus irresistible to the flood of increasingly confident, increasingly powerful German businessmen.

Giant German corporations, of course—such as Siemens, Hoechst, BASF, Flick and Volkswagen—have been here for years. Most rushed ashore in the early 1970s—the so-called first wave of the German invasion. What makes today's "second wave" so different is that medium and small companies—some with annual sales below $10 million—are now establishing b heads. It's partially a response to the "Buy America" feeli the U.S. "By manufacturing here, we hope to seem American," says Leopold Jaegers, owner of a small steel ting machine plant. In addition, wealthy but worried Ge investors—often through their all-powerful banks—are bling up American real estate and securities as never befo

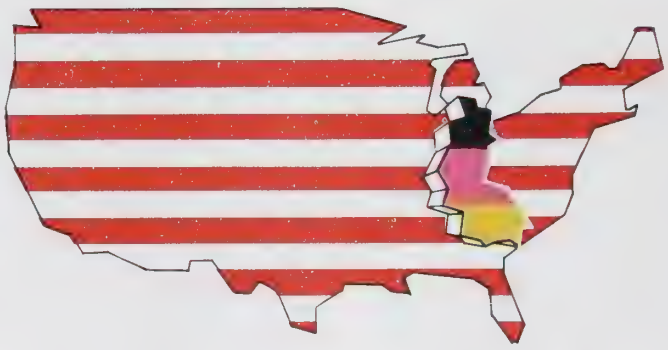
How much are the Germans investing here? Forget published figures. They are only the tip of the iceberg. It' that the Germans are hiding anything. It's just that they g of their way to avoid pub ing their presence any than is absolutely neces A German newspaper re ly reported that Germans own 40,000 square mil the best farmland in U.S.—an area nearly as b Communist East Germ But farmland is the least

For years American m poured overseas, but now man Economic Min numbers show the tide been reversed. They re that in 1978 something astonishing happened: man investment in the surpassed American in ment going the other ($1.1 billion to $478 mill The trend has continued cording to the Commerce partment, German compa accounted for one-third o foreign takeovers, plant pansions and startups in first quarter of 1980.

But such direct investm figures do not begin to tell story. "The Germans are most secretive of all for investors," points out Gil Harrison, chairman of board of Financo, a Phila phia-based merger specia They are fearful of poten anti-German prejudices in

Wunderbar numbers

Below, a quick comparison of the West German and U.S. economies. The data are the latest available (in most cases 1979) and in constant dollars.



	W. Germany	U.S.
Population (millions)	61.4	220.6
Area (square miles)	96,000	3,615,000
Gross national product (billions)	$760.5	$2,368.5
GNP from exports	22.6%	7.7%
Median household income	$21,410	$20,428
Per capita income	$9,619.20	$8,722.57
Average hourly wage (manufacturing)	$6.85	$6.16
Fringe benefits as percent of salary	65%	35%

om and at the cash register. Says one German execu- 'he ugliest thing about America is the way people still s for what happened during the war." But the executive g oversensitive. Most Americans have welcomed the n invasion and for good reason: It creates jobs, bolsters nomy, reduces the trade deficit and strengthens the llar. "What you really have are American companies erman ownership," says Eckart Goette, president of dustries' Midrex Corp. "The earnings made by Ameri- erations of German companies are reinvested here. e not exported."

icans have been so accepting that some typical U.S. nave taken on aspects of Bavarian villages. In Spartan- C., for example, the Germans "have completely rein- d their lifestyle," says Milton Hochmuth, director of -State University's Institute for International Business. h of Route 85 outside Charlotte, N.C. is not so jokingly to as "the autobahn" by local residents. The names of ies one sees are American Volkmann, Hamel, er, American Zinser and Krupp.

otte, which is home for 4,000 transplanted Germans, wo large German social clubs. International festivals, rfests and Faschings (masquerade parties) are held. Ger- vned Korf Industries has been one of the largest contrib- the Charlotte Arts & Council for years. The public schools report are 1,500 children primary language is not . Of these, many are n-speaking.

inly, there has always strong German pres- n the U.S.—and not rough immigrants. As as 1865, for example, .G. opened a dye plant he banks of the Mo- n Albany, N.Y. Similar nents swiftly followed, both world wars Ger- operty was confiscated rman investment was . In 1918 Bayer was o give up its name and ark. Sterling Drug the Bayer aspirin ark from the U.S. property custodian," ains it even now.

hese things are forgot- d a new reality has d. Explains Otto Dax, airman of Siemens, the ectrical company that kly emerging as Gener- ric's number one com- "For us, coming here matter of survival." ad to increase to sup- e huge R&D expenses to compete against its sophisticated, technologically superior and entrenched U.S. counterparts.

But a funny thing happened on the way to the marketplace: "Once the Germans found out it did not take magic to compete in the U.S., they lost their awe of Americans and became very successful," says Milton Hochmuth.

The publisher Bertelsmann Corp. is a case in point. After the war, Chairman Reinhard Mohn, who had spent two years in a U.S. prisoner of war camp in Kansas, began transforming Bertelsmann from a small publisher of religious books into a diversified global giant. In its most recent fiscal year, the publishing company racked up revenues of $2.2 billion, second only to Time Inc.'s $2.5 billion.

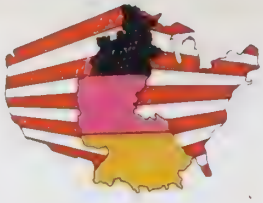
Still, Bertelsmann failed to establish a U.S. presence until 1977. Why? "In the years after the war, I took knowhow from the U.S. in printing, publishing, organization, management and so on," Mohn told FORBES in 1978. "All those years I said there is no reason to go into the U.S. They know their job."

The success of his purchase of a 51% stake in Bantam Books, however, has convinced Mohn that the best European companies have at last become as good as their U.S. counterparts. So in May Bertelsmann bought the remaining 49% interest in Bantam. It hopes to boost the percentage of foreign revenues from the current 33% to 50% by 1985. To help reach this objective, Bertelsmann has also launched *GEO* (a toney, high-priced version of the *National Geographic*), which is already a huge success in Germany.

John Brookhuis, president of American Hoechst
"We're not thinking ten years out, but far future."

Similarly, American Hoechst, which has acquired 15 U.S. companies or plants during the past five years, is no longer afraid of Americans. Last year the German parent's worldwide sales reached $15 billion, making it the world's largest chemical company. Yet less than 10% of those sales came from the U.S. So American Hoechst plans to spend a cool $800 million—excluding acquisitions—in the U.S. by 1985. "Our top priority is to increase our share of the American chemical market," says Dieter zur Loye, senior executive vice president and chief operating officer.

Because of the stunning track record of German companies, American Hoechst is clearly a good bet to succeed. By far the biggest German triumph to date has been Volkswagen's turnaround of an unprofitable Chrysler plant in New Stanton, Penna. Two years ago the plant began turning out Rabbits so well-



made and fuel efficient that production can hardly keep up with demand.

The Volkswagen plant is unusual in the way the payoff came so soon. What characterizes German investment is a willingness to wait for long-term payoffs. Corporations are able to do so because they rely to a far greater extent on bank financing than do U.S. companies. "Unfortunately, American corporations are frequently forced to concentrate on quarterly profits to please stockholders," says one Wall Streeter.

German banks are able to play such a role because they are not bogged down by the strict laws and regulations that limit the role U.S. banks can play in corporate boardrooms. In addition, German banks are flush with cash because the typical German saves 12% of his income, compared with a 4% rate for the average American. This savings rate reflects the need for security and forward planning in the German national character—tendencies encouraged by the presence of Russian tanks on the frontiers. As a German visitor here recently put it: "Living with Russia is like being in a cage with a hungry bear. You find yourself hoping that he dined well last night."

But as the streams of German immigrants that filled American cities and countryside in the 19th century produced good citizens, so the German investment of the 20th century is making a contribution that transcends mere money. Says Ray Denny, international division representative of the North Carolina Department of Commerce: "The German businesses that come here are efficient, honest, thorough and orderly." Denny should know; his state has been the most successful in wooing the largest number of German firms, as the settlement in Charlotte attests.

About 20 states are actively seeking foreign investment, and the competition can sometimes be ferocious. To get the VW plant at New Stanton, for example, Pennsylvania offere company a 30-year, $40 million loan, carrying an interes of 1.75% for 20 years and 8.5% for the remaining 10. Pen vania also reduced property taxes by 90% for the first 2 and by 50% for the next 3, spent nearly $600,000 to trai workers and constructed a railroad spur to the plant.

During the first wave, German investment flowed t Northeast. "Until five years ago, most Germans though U.S. was four states—New York, New Jersey, Pennsylvani Connecticut," says Gunter Nitsch of the German-Ame Chamber of Commerce. "Now these states are fightin investment that only a few years ago would have natu gone there."

Indeed, most second-wave investment has been concer ed in the Sunbelt, especially the Southeast. "The German the climate, the fact that the weather rarely stops them building or working," points out Hochmuth of Georgia S "They also like the value they get for their dollar, see less strife and believe that's where the American work ethic is intact."

As citizens of a cramped country where residential lot measured in square meters rather than in parts of an Germans have a particular fondness for U.S. real estate. T it may look forbiddingly expensive; to them it often l temptingly cheap. Operating through Deutsche Bank, Ge investors have acquired One Shell Plaza, Houston's hig building, along with Pennzoil Place, Houston's largest. years ago, giant Deutsche Bank was also interested in bu the World Trade Center. "And no one would be surpris they come back again in the near future," says one New banker. But measuring the German invasion purely in ter dollars or real estate acquired is quite misleading. For

Milton Hochmuth of Georgia State
Germans "lost their awe" of Americans.

Dieter zur Loye of American Hoechst
Success in fields not yet entered.

many German-owned firms are uartered in neighboring Switzer- elgium or the Netherlands for tax . Says Harrison of Financo, of my clients from these nations ll practical purposes German."
erwald Holding, for instance, owns 1,536 Wienerwald restau- 13 countries—as well as Lums rant Corp. of Miami and Holly- ased International House of Pan- was founded in Munich, and for 25 years Germany was its biggest . However, its corporate head- s is located outside Zurich so it is y classified as Swiss. Swiss? In e, Wienerwald's acquisition last IHOP—with its 500 pancake and its affiliates, Copper Penny ve's Wood Pit—have made the ather than Germany, Wiener- biggest market.
es money, the Federal Republic is becoming the world's leading ex- f management skills. Take retailing. The Aldi chain of arkets set up shop here in 1976 by buying Benner Tea located mainly in the Midwest. Since then, the chain wn to 85 "box" or limited assortment stores.
ch stores, the number of items stocked is limited to 00 basic products such as toilet paper, canned vege- detergents. Many carry no manufacturer identifica- d are priced 25% or more below brand names. Sin-

U.S., German and local flags fly side by side along Route 85 in North Carolina

gles, young couples, the elderly—they have made box stores smashing successes in Germany. Recently the Tengelmann group, which last year bought 47% of Great Atlantic & Pacific Tea Co., has introduced the concept at 37 of its outlets. "If A&P pushes box stores in a big way and if they are a success," says one analyst, "the concept could revolutionize supermarket retailing in this country."

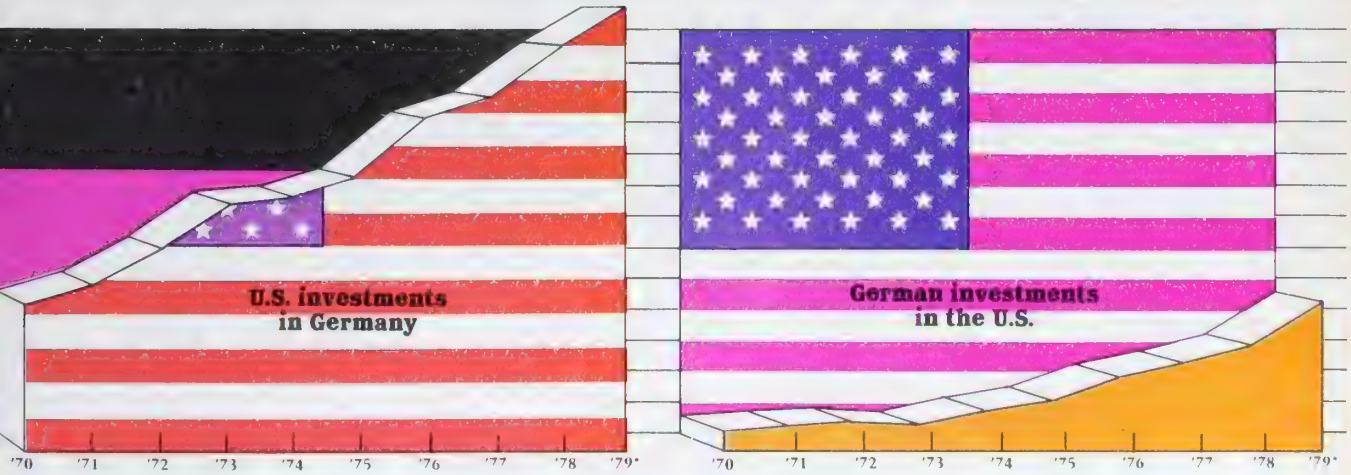
The Germans have also perfected the concept of the master craftsman—a senior worker who acts as a teacher and trouble-shooter rather than as a boss or supervisor. "If anything goes wrong with any facet of the operation, he can fix it," says Otto Dax of Siemens.

Ironically, the modern form of this concept was developed in the 1950s by IBM in the U.S. In effect, the Germans have done nothing more than perfect it and then export it back. Says consultant Peter Drucker in a recently published editorial: "We don't need to learn what the rules [of good management] are. We invented them. What we need to do is put them into practice." Whoever *invented* the rules, German businessmen are reminding us of their importance—something we seem to have forgotten in the smugness and arrogance that prevailed here for decades after World War II ended.

And the Germans have something most Americans lack: patience. Corporate careers here are made or broken by short-

Two-way traffic

ect investment in West Germany is now just 3 times s direct German investment in the U.S. In the past ten e U.S. stake there nearly tripled, to $14 billion. Over the same period German investors increased their stake in the U.S. sevenfold. As the chart also shows, the pace of German investment in the U.S. has lately been accelerating.



t. of Commerce; FORBES estimate

term performance and results. Comments Drucker: "By separating short-term operating budgets from longer-term investment budgets, foreign companies can plan for the long haul."

Indeed, German companies are doing just that. On average they allocate more than 2.4% of GNP to research and development, and the percentage is growing each year. American corporations, by contrast, invest less than that and the percentage is falling.

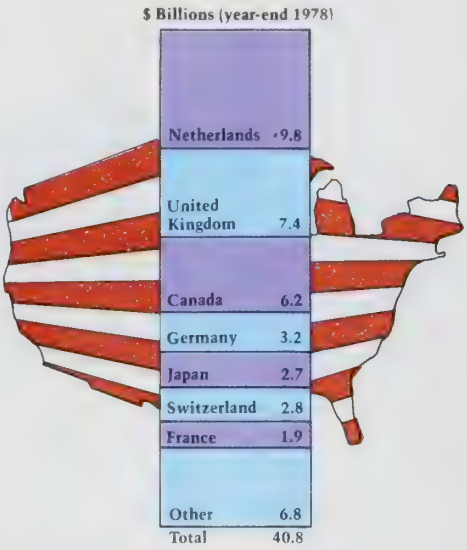
Such outlays have given the Germans a leg up in high-technology fields dominated by Americans as recently as four and five years ago. What makes American Hoechst think it can dramatically increase its share of the U.S. chemical market? "Our knowhow and our research capabilities," answers Dieter zur Loye. "These two factors give us confidence we can even compete successfully in fields here which we have not yet entered."

Let's face it: The statement may sound arrogant, but it is not unjustified.

But by and large the Germans struggle to keep a low profile. Typical is the secretive Friedrich Karl Flick, perhaps the number one foreign investor in the U.S. Neither Flick nor any other German comes to mind when such names as Giovanni Agnelli of Italy, Rupert Murdoch of Australia and Guy de Rothschild of France are mentioned. Indeed, Flick tries to avoid publicity almost as assiduously as he avoids terrorists.

Understatement

West Germany ranks but fourth in "direct" investment in the U.S., but that does not include private land and other deals.



Source: Dept. of Commerce

Flick's father was the legendary F rich Flick, who rebuilt his empire spending three years in prison for crimes for using slave labor. Frie Karl is now using that $4 billion glomerate to buy into America.

In 1978 Friedrich Karl bought a interest in U.S. Filter Corp., and bo his holding in W.R. Grace & C 35%—an outlay of $350 million in months. He could buy more with of what he pocketed in 1976 for sell 29% stake in Daimler-Benz, w makes the Mercedes—a car that planted Cadillac as the premier A can four-wheeled status symbol.

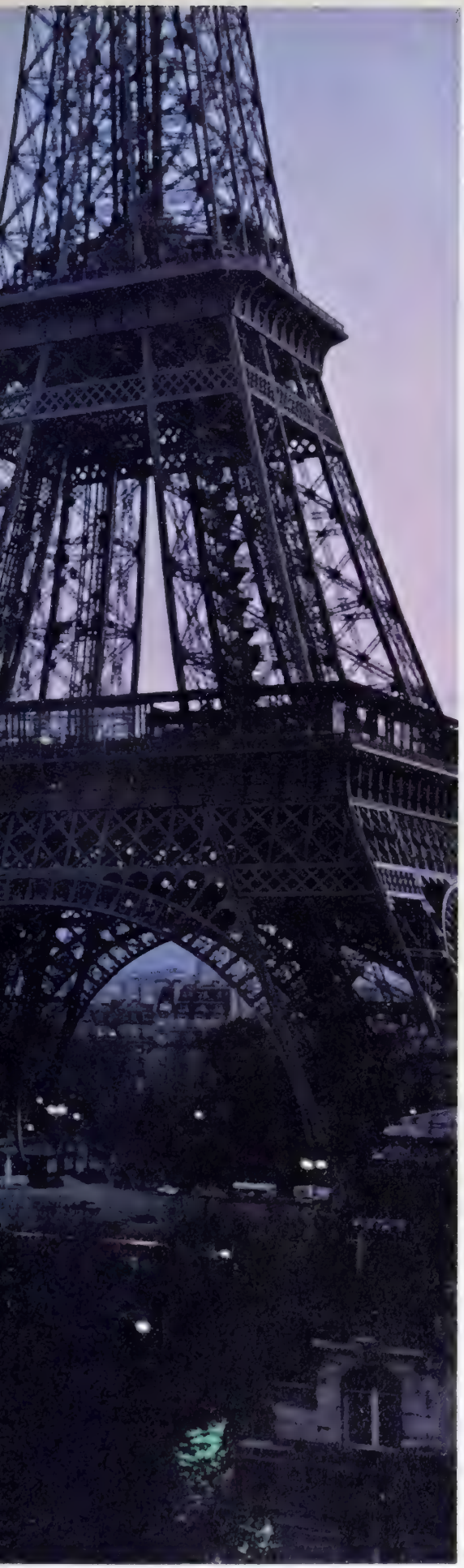
Flick can afford to move slowly cause—like all German investors is not looking for a quick return. secret [of German success] in the is still tenacity," points out Brookhuis, president of Ame Hoechst. "We are not thinking of 10 years out, but the far future." consultant Werner Gundlach: Germans were fully aware of Ame potential at the turn of the cen This is just a newer version of happened before."

Is this new German invasion th threat? Or is it a vote of confidence in the American ture—a future that we natives sometimes doubt? Liste one thoughtful German: "In ten years Germany could socialist country. America has its problems, but it's w the future of capitalism lies." ■

Gilbert Harrison, chairman of Financo
"The Germans are the most secretive."

Eckart Goette, president of Midrex Corp.
Reinvesting profits here.

Pleasure before business.



THE MANUFACTURERS HANOVER OPERATING COMMITMENT, WORLDWIDE:

IT'S WORKING IN THE CITY OF LIGHT...

...and in Chicago and Hong Kong and in the inmost reaches of Africa as well. It's part of our total banking philosophy — proven credit alternatives combined with premier operations support.

In Paris, for example, our subsidiary, Manufacturers Hanover Banque Nordique, is a leader in serving the credit needs of medium and large corporations interested in doing business with Scandinavia and the U.S.

Our London-based merchant bank, Manufacturers Hanover Limited, has been a consistent leader in Eurobond financing, and in managing or co-managing bank loans and public issues.

The cash management services of our Dutch affiliate, Bank Mendes Gans, have proven in day-to-day operations to be unsurpassed for quality, timeliness and accuracy. Ranging from domestic lock box to a multilateral clearing system, cash management at Manufacturers Hanover is fully integrated to service the needs of corporations worldwide.

Credit. Operations. And the integration of both to create a total financial relationship of the highest standards — anywhere in the world.

MANUFACTURERS HANOVER

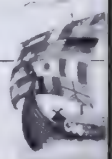
The financial source.Worldwide.

Member FDIC

New targets and familiar faces

This year's roundup of the 100 largest foreign investors in the U.S. has a new leader, Anglo American Corp. of South Africa. It beat out Royal Dutch/Shell by controlling about $19.2 billion in sales primarily through its stake in booming Engelhard Minerals & Chemicals. Also new to the top 100 list are 12 banking and finance and insurance companies, the largest being Hongkong & Shanghai Banking Corp., which owns 41% of $1.4 billion (revenues) Marine Midland Banks. Another newcomer is 18th-ranked Vo wagenwerk of West Germany, which year manufactured some $1.1 bill worth of cars in the U.S.

Among the most popular acquisit targets of foreign buyers in 1979 w companies in food-related busines Delhaize-Le Lion of Belgium, which ready controls supermarketer Food To Stores, bought another chain, $436 r lion Alterman Foods. The Netherlar Ahold acquired a retailer as well, $ million Bi-Lo. But it was corporati from the U.K. that led the way. Dalg and Northern Foods bought distributi processing and meatpacking conce whose total volume was around $1.5 lion. Imperial Group now owns the $ million Howard Johnson restaurant ch Conglomerate Grand Metropolitan L which is into everything from hotel dairy products, recently acquired the n ly $1 billion Liggett Group, whose interests range from liquor to pet food.



The 100 largest foreign investments in the U.S.

Foreign investor	Country	U.S. company	% owned	Industries	Revenues (millions)	Net income (millions)	Assets (million
1. Anglo American Corp of So Africa Ltd[1]	So Africa	Engelhard Min & Chem[1]	29[3]	industrial materials	$18,080	$ 349.7	$ 5,800
		Inspiration Consol Copper	50[3]	copper	137	7.4	163
		Terra Chemicals Intl[1]	51[3]	fertilizer	254	2.7	138
		AMCON Group	100[3]	mining exploration, steel, scrap	463	–5.3	283
		ARC America Corp	100[3]	construction materials	186	NA	106
		SKYTOP Brewster Rig	100[3]	oil rig mfg	60[2]	–3.0[2]	73
		King Oil Tools	100[3]	oilfield equip	5[2]	1.2[2]	5
		Mechanical Seal & Serv	100[3]	oilfield equip	3[2]	0.5[2]	2
					19,188		
2. Royal Dutch/ Shell Group[1]	Netherlands	Shell Oil[1]	69	oil	14,431	1,126.0	16,127
	UK	Scallop Holding	100	oil, coal	2,028	NA	239
					16,459		
3. British Petroleum Ltd[1]	UK	Standard Oil Ohio	53	energy	7,916	1,186.1	9,209
4. Tengelmann Group	Germany	Great A&P Tea[1]	47	supermarkets	6,684	–3.8	1,230
5. Friedrich Flick Group	Germany	WR Grace[1]	27	chemicals, consumer products	5,267	222.6	3,729
		US Filter[1]	35	pollution control, chem	612	22.5	820
					5,879		
6. B.A.T Industries Ltd[1]	UK	BATUS	100	paper, retailing, tobacco	4,200[2]	NA	NA
		Germaine Monteil	NA	cosmetics			
7. Générale Occidentale SA	France	Grand Union	100[3]	supermarkets	3,100	30.7	707
		J Weingarten	100[3]	supermarkets	566	1.4	105
					3,666		
8. Beneficiaries of US Philips Trust	Netherlands	North American Philips[1]	62[3]	electronics	2,409	81.7	1,290
9. Nestlé SA	Switzerland	Nestlé Co	100	food	1,400[2]	NA	NA
		Libby, McNeill & Libby	100	food	1,000[2]	NA	NA
		Stouffer Corp	100	food, restaurants			
		Alcon Laboratories	100	pharmaceuticals			
		Beech-Nut Corp	100	baby foods			
					2,400		
10. Unilever NV[1]	Netherlands	Lever Brothers	100	consumer goods	952	– 6.8	412
		Thomas J Lipton	100	food	698	38.5	407
		Natl Starch & Chemical	100	chemicals, starch	475	32.0	342
					2,125		

[1]Publicly traded in U.S. [2]Estimate. [3]Indirect ownership [4]Under formation. [5]Includes results of Tappan for full year. [6]1978 sales. [7]Nine months. [8]Includes results of America credit for full year. NA: Not available.

The 100 largest foreign investments in the U.S.

n investor	Country	U.S. company	% owned	Industries	Revenues (millions)	Net income (millions)	Assets (millions)
ayer AG[1]	Germany	Mobay Chemical	100	chemicals	$ 955	$58.0	$ 917
		Miles Laboratories	100	health care	595	2.0	561
		Cutter Laboratories	100	health care	304	6.0	321
					1,854		
chlumberger NV[1]	Netherlands Antilles	Schlumberger Technology	100	oilfield services	1,110[2]	NA	1,380[2]
		Fairchild Camera	100	semiconductor	670[2]	NA	
					1,780[2]		
echiney Ugine Kuhlmann	France	Pechiney Ugine Kuhlmann Corp	100	aluminum, trading, engine parts	1,769	96.4	772
anadian Pacific Ltd[1]	Canada	Soo Line Railroad[1]	56	railroad	299	27.6	448
		Canadian Pacific Enterprises (US Operations)	100	steel products	1,315	NA	NA
					1,614		
nperial Chemical Industries Ltd[1]	UK	ICI Americas	100	chemicals	708	NA	NA
		Fiber Industries	38	man-made fibers	881	NA	506
					1,589		
etrofina SA	Belgium	American Petrofina Inc[1]	69	petroleum	1,587	83.2	1,080
co Ltd[1]	Canada	Inco ElectroEnergy	100	batteries, elec motors	842	NA	659
		International Nickel	100	primary metals	386	NA	82
		Huntington Alloys	100	metal products	267	NA	406
		Other Companies	100	various	38	NA	50
					1,533		
olkswagenwerk AG[1]	Germany	Volkswagen of America	100	auto, auto parts, real estate	1,100[2]	NA	1,000[2]
		Triumph-Adler	100[3]	business machines, information systems	420[2]	13.0[2]	NA
					1,520[2]		
hyssen AG[1]	Germany	Budd	100	automotive parts	1,519	NA	NA
ASF AG[1]	Germany	BASF Wyandotte	100	chemicals	1,103	9.7	801
		Badische Corp	100	chemicals	398	15.5	283
					1,501		
eorge Weston Ltd	Canada	National Tea	84[3]	supermarkets	1,046	8.0	251
		Applebaum's Food Mkts	100[3]	supermarkets			
		Peter J Schmitt	100[3]	wholesale food	317	NA	NA
		Interbake Foods	100[3]	biscuits	NA	NA	NA
		Stroehmann Brothers	100[3]	bakery	119	NA	NA
					1,482		
ongkong & Shanghai Banking Corp[1]	Hong Kong	Marine Midland Banks[1]	41	banking	1,412	39.8	15,728
agram Co Ltd[1]	Canada	Joseph E Seagram & Sons	100	liquors, wines, oil, gas	1,375	118.0	1,934
iba-Geigy Ltd	Switzerland	Ciba-Geigy	100	chemicals, drugs, consumer goods	1,300[2]	NA	1,200[2]
lusuisse	Switzerland	Consolidated Aluminum	60	aluminum	825	4.1	515
		Maremont Corp	100	automotive parts	400[2]	NA	NA
					1,225[2]		
algety Ltd	UK	Dalgety Foods	100	food processing			
		Martin-Brower Co	100	food distribution			
		Pig Improvement Co	100	pig breeding	1,200[2]	NA	200[2]
		Modern Maid Food	100	food processing			
oechst AG[1]	Germany	American Hoechst	100	chemicals	1,174	30.0	1,061
lcan Aluminium Ltd[1]	Canada	Alcan Aluminum Corp	100	aluminum	1,135	48.0	475
anson Trust Ltd[1]	UK	Hygrade Food Products	100	meat processing	582	10.8	NA
		Carisbrook Industries	100	specialty textiles	154	10.4	NA
		American Farm Products	100	fishing, agric prod	54	12.3	NA
		Interstate United	100	food service mgmt	332	11.0	NA
					1,122		
enstar[1]	Canada	Flintkote	100	building materials	869	45.3	607
		Fincl Services (7 cos)	100	financial services	26[2]	13.7[2]	162[2]
		Hsg & Land Dev (10 cos)	100	housing & land dev	210[2]	10.0[2]	340[2]
					1,105		
anada Development Corp	Canada	Texasgulf[1]	34	mining, chemicals	789	136.9	1,648
		Polysar	100	resins, latex	285	NA	NA
					1,074		
oyal Ins Co Ltd	UK	Royal Group	100	insurance	1,022	52.3	1,861
kzo NV	Netherlands	Akzona[1]	66	chemicals, fibers	1,012	25.6	818
oore Corp Ltd[1]	Canada	Moore Business Forms	100	business forms	982	NA	NA
		FN Burt	100	packaging			

cly traded in U.S. [2]Estimate. [3]Indirect ownership. [4]Under formation. [5]Includes results of Tappan for full year. [6]1978 sales. [7]Nine months.
des results of American credit for full year NA: Not available.

The 100 largest foreign investments in the U.S.

Foreign investor	Country	U.S. company	% owned	Industries	Revenues (millions)	Net income (millions)	Asset (millio
35. Hugo Mann	Germany	Fed-Mart[1]	88	department stores	$975	$–11.1	$321
36. Grand Metropolitan[1]	UK	Liggett Group	89	tobacco, liquor	946	53.9	750
37. Rhône-Poulenc SA	France	Morton-Norwich Products[1]	21	salt, food, chemicals	732	46.1	587
		Rhône-Poulenc Inc	100	chemicals, photo-typesetting	184	NA	139
					916		
37. Saint-Gobain-Pont-à-Mousson[1]	France	CertainTeed[1]	55	building supplies	916	22.2	720
39. BOC International[1]	UK	Airco	100	industrial gases	911	67.6	879
40. Massey-Ferguson Ltd[1]	Canada	Massey-Ferguson Inc	100	machinery	901	NA	701
41. Cie Française des Pétroles	France	Total Petroleum	100[3]	oil	888	21.0	433
42. Mitsui & Co Ltd[1]	Japan	Alumax	45	aluminum	873	97.0	894
43. Delhaize-Le Lion SA	Belgium	Food Town Stores[1]	52	supermarkets	416	13.2	86
		Alterman Foods	100	supermarkets	436	4.2	89
					852		
44. F Hoffmann-La Roche	Switzerland	Hoffman-La Roche Inc	100	chemicals	850[2]	NA	NA
45. Bowater Corp Ltd[1]	UK	Bowater North America	100	pulp & paper	813	NA	NA
46. Telefonaktiebolaget LM Ericsson	Sweden	Anaconda-Ericsson[4]	50	telecommunication equip	800[2]	NA	NA
47. Bell Canada[1]	Canada	Intersil[1]	22	semiconductors	139	10.3	83
		Northern Telecom Sys / Northern Telecom Inc	100[3]	telecommunications	640	NA	NA
					779		
48. Matsushita Electric Industrial Co Ltd[1]	Japan	Matsushita Electric Corp of America	100	electric, electronics	750[2]	NA	NA
48. Sony Corp[1]	Japan	Sony Corp of America	100	consumer electronics	750[2]	NA	500
50. Siemens AG[1]	Germany	Siemens Corp	100	medical equip, electronics, cable, semiconductors	520[2]	NA	NA
		Advanced Micro Devices[1]	20	semiconductors	226	23.3	165
					746		
51. Thyssen-Bornemisza NV	Netherlands	Indian Head	100	diversified mfr	720[2]	NA	NA
52. Davy Corp Ltd	UK	Davy Inc	100	hvy constr & engineering	700	NA	220
53. Fiat SpA[1]	Italy	Fiat-Allis	80	construction equip	410	–37.8	258
		Bentley Laboratories[1]	39	medical devices	42	3.3	37
		Hesston[1]	50	agricultural equip	229	5.9	154
					681		
54. AB Electrolux	Sweden	Dometic Inc	100	appliances	675[2,5]	12.6	417
55. Husky Oil Ltd[1]	Canada	Husky Oil Co	100	petroleum			
		Gate City Steel	100	steel	667	18.4	527
		Husky Industries	90	charcoal			
56. General Accident Fire & Life Ltd	Scotland	General Accident Fire & Life / Potomac Insurance / Penn General Insurance / Camden Fire Insurance	100	insurance	653	85.0	1,408
57. Thomas Tilling Ltd	UK	Thomas Tilling	100	energy, medical supplies, electrical prod, other	651	29.0	422
58. 6 European Banks	6 countries	European Amer Bancorp	100	banking	628	21.0	7,766
59. Babcock Intl Ltd[1]	UK	Babcock International Inc	100	diversified mfr, engineered products	615	46.0	513
60. Hoesch AG	Germany	Envirotech[1]	26	pollution control	557	6.8	350
Hoogovens	Netherlands	Beckley Coal Mining	25	coal	51	9.3	58
					608		
61. Sandoz Ltd	Switzerland	Sandoz US	100	food, drugs, seeds, chemicals	588	6.7	488
62. Beecham Group Ltd[1]	UK	Beecham Inc	100	drugs, consumer prod	580	NA	500
63. Imperial Group Ltd[1]	UK	Howard Johnson	100	restaurants	578	34.3	486
64. Bank of Tokyo Ltd[1]	Japan	Bank of Tokyo Trust	100	banking	264	13.7	3,367
		California First Bank[1]	74	banking	311	20.2	3,265
					575		

[1]Publicly traded in U.S. [2]Estimate. [3]Indirect ownership. [4]Under formation. [5]Includes results of Tappan for full year. [6]1978 sales. [7]Nine months. [8]Includes results of American credit for full year. NA: Not available.

The 100 largest foreign investments in the U.S.

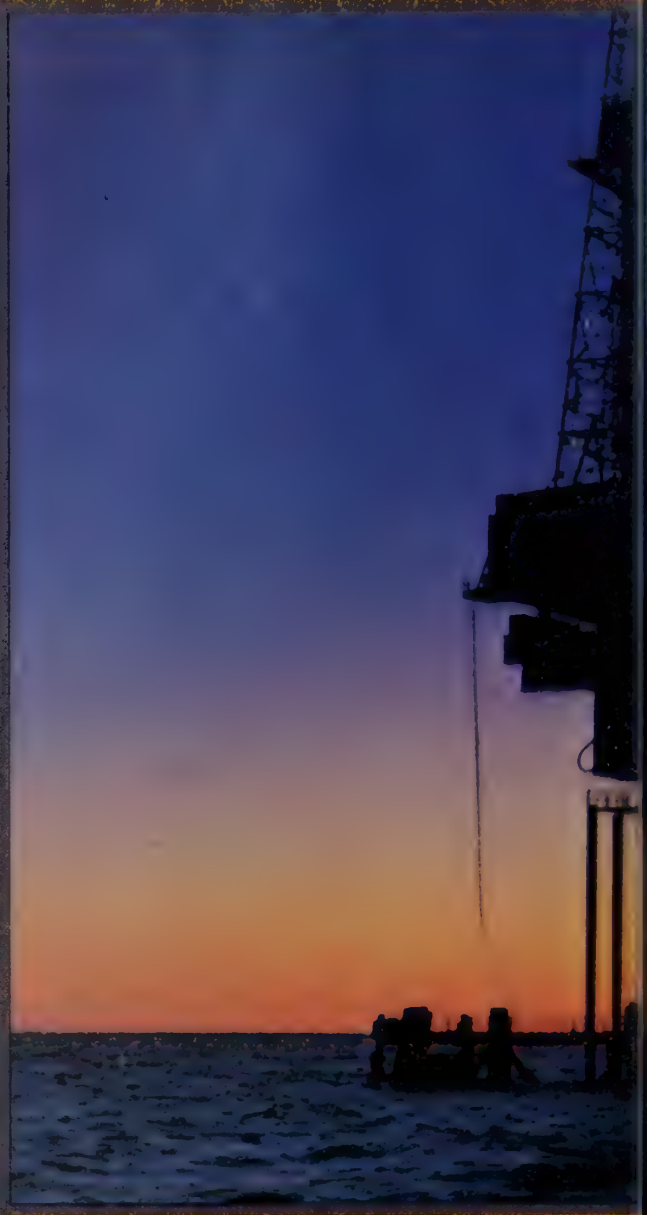
n investor	Country	U.S. company	% owned	Industries	Revenues (millions)	Net income (millions)	Assets (millions)
Iorthern Foods Ltd	UK	Bluebird	100	meatpacker	$573	$9.1	$ 97
vaco Ltd	Canada	Laclede Steel[1]	20	steel	235	–0.1	139
		Atlantic Steel	100	steel			
		Natl Wire Products	60	steel	335	NA	NA
		NY Wire Mills	100	steel			
		Niagara Lockport Inds	100	steel, machinery belts			
					570		
tandard Chartered Bank Group	UK	Union Bank	100	banking	567	34.1	6,563
Ioranda Mines Ltd	Canada	Noranda Aluminum	100	aluminum			
		Norandex	100	aluminum fabricating	558	28.2	451
		Norandal	100	aluminum fabricating			
		Fraser Paper	65	paper mfr			
gache-Willot Group	France	Korvettes	100	retailing	550	NA	NA
hold NV[1]	Netherlands	Bi-Lo	100	food retailing	547	6.1	97
ranz Haniel & Cie	Germany	Scrivner	100	wholesale/retail foods, dept stores	547	6.4	76
nited Biscuits Ltd	UK	Keebler	100	baked goods	487	NA	NA
		Specialty Brands	90	spices, seasonings	24	NA	NA
					511		
io Tinto-Zinc Ltd[1]	UK	US Borax & Chemical	100	chemicals	325[2]	NA	NA
		Indal	100[3]	building products	184	7.7[2]	120
					509		
lsen, Lehmkuhl Families	Norway	Timex	100	watches	500[2]	0.2[2]	NA
netal	France	Copperweld[1]	66	steel, copper fabrication	493	23.1	313
ationale-Nether-landen NV	Netherlands	Life Insurance Co of Georgia	100	insurance	268	29.1	1,018
		Peerless Insurance	81	insurance	108	8.8	164
		Security Life Insurance	89	insurance	58	6.3	229
		Midwest United Life	86	insurance	27	3.8	209
		Wisconsin National Life	100	insurance	29	3.7	127
					490		
IacMillan Bloedel Ltd[1]	Canada	MacMillan Bloedel Inc	100	forest products	476	NA	NA
		Atlantic Forest Products	100	forest products	NA	NA	NA
					476		
eneral Electric Ltd[1]	UK	AB Dick	100	office equipment	361[6]	NA	NA
		Alco Power	100	diesel engines	100[2]	NA	NA
					461[2]		
Villy Korf	Germany	Korf Industries	70[3]	steel, technology	457	24.5	374
Govt of Kuwait	Kuwait		30				
ational Westminster Bank Ltd	UK	Natl Bank of N Amer	100	banking	438	17.0	4,849
f Aquitaine Group	France	Elf Aquitaine Inc	100	chemicals, oil, gas	270	NA	230
		Rilsan	50[3]	heavy chem, engineering, plastics	80	NA	50
		Al-Aquitaine	75[3]	oil, gas, coal	40	NA	130
		Sanofi	100	drugs, animal health	30	NA	NA
					420		
nasco Ltd	Canada	Hardee's Food Systems[1]	47	restaurants	356	11.0	191
		Tinder Box Intl	100	specialty stores	40[2]	NA	NA
		Shoppers Drug Mart	100[3]	specialty stores	17	NA	NA
					413		
nancière Crédit Suisse-First Boston	Switzerland	First Boston[1]	24	investment banking	410	17.2	4,891
rade Development Bank Holding	Luxembourg	Republic NY Corp[1]	65	banking	401	31.6	4,408
llianz Versicherungs AG	Germany	Allianz of America Inc	52	insurance	299	NA	NA
		Munich American Reassurance	45	life insurance	12	0.6	32
		Munich American Reinsurance	45	property & casualty	87	2.8	223
					398		
Air Liquide[1]	France	Liquid Air Corp of NA[1]	79	industrial gases	369	24.7	417
B SKF	Sweden	SKF Industries	96	ball & roller bearings	366[2]	11.0[2]	253[2]

cly traded in U.S. [2]Estimate. [3]Indirect ownership. [4]Under formation. [5]Includes results of Tappan for full year. [6]1978 sales. [7]Nine months.
des results of American credit for full year. NA: Not available.

"Out here,

we turn policy into energy."

Dexter Ferguson, toolpusher



"Out here" is the Gulf of Mexico. To Dexter Ferguson "policy" is the nationwide need for expanded energy development. An experienced toolpusher for Dixilyn-Field Drilling Company, Dexter is where the energy action is—on the floor of a drilling rig.

"You have to drill to find new oil and gas. Energy policies are only words until the drill bit goes to work. It's tough, it's expensive, and it's risky—but it's the only way to keep domestic oil and gas flowing." That is the driving force for the people of Dixilyn-Field and all the employees of Panhandle Eastern, a diversified energy company looking to the future.

Contract drilling is one aspect of Panhandle Eastern's energy-related business operations. During the past

Drilling in the Gulf of Mexico off the coast of Texas, this is one of the 36 rigs the Company operates onshore and offshore in the U.S. and offshore overseas. Two new land rigs and a deepwater jack-up will be placed in service later this year.

years the Company invested $1.38 on—more than 2.5 times net in- ıe—in energy projects—natural transmission, exploration and duction, contract drilling and coal ing. And during 1980, Panhandle tern's capital outlay is budgeted at) Million.

These investments are providing roved financial and operating ılts, benefiting our customers and estors. Net income increased by 24 cent in 1979 and advanced 16 percent ıe first quarter of 1980, primarily he strong performance of oil and production—the fastest growing ment of Panhandle Eastern. Pipe- gas reserves have greatly im- ved, and the Company is now able atisfy the full requirements of its utility and municipal customers, which serve ten percent of the U.S. population.

Dexter Ferguson and the 7,000 other men and women at Panhandle Eastern are making good things happen for the Company and America's energy future. Write P.O. Box 1642, Houston, Texas 77001 for the complete profile of Panhandle Eastern.

Panhandle Eastern PIPE LINE COMPANY

NYSE Stock Symbol - PEL • Newspaper Listing - PanEP

TRUNKLINE GAS COMPANY/ANADARKO PRODUCTION COMPANY/DIXILYN-FIELD DRILLING COMPANY/ TRUNKLINE LNG CO./NATIONAL HELIUM CORPORATION/ CENTURY REFINING COMPANY/ AURORA INDUSTRIES, INC./ Y & O COAL COMPANY

The 100 largest foreign investments in the U.S.

Foreign investor	Country	U.S. company	% owned	Industries	Revenues (millions)	Net income (millions)	Asset (millio
88. Hawker Siddeley Group Ltd[1]	UK	Onan	37	engines, generators	$209	$9.0	$14
		Lister Diesels	100	engines	15	NA	1
		KW Battery	100[3]	batteries	14	0.4	
		Corinth Machinery	100[3]	sawmill equipment	12	0.2	
		FASCO	100	electrical equipment	113	8.6	5
					363		
89. Henkel KGaA	Germany	Henkel Corp	100	specialty chemicals	350[2]	NA	NA
90. Solvay & Cie SA	Belgium	Soltex Polymer	100	chemicals	200[2]	NA	NA
		Salisbury Laboratories	100	animal health	75[2]	NA	NA
		Hedwin	100	plastics processing	30[2]	NA	NA
		Interox America	50	peroxygen chemicals	20[2]	NA	NA
		Kali Pharma	100	drugs	20[2]	NA	NA
					345[2]		
91. COPERSUCAR	Brazil	Hills Bros Coffee	100	coffee	330[2]	NA	NA
92. BBC Brown, Boveri & Cie	Switzerland	BBC Brown, Boveri Co	100	mechanical & electric power equipment	325[2]	NA	NA
93. Dunlop Holdings Ltd[1]	UK	Dunlop Tire & Rubber	100	tires, sports equip	322[2]	NA	NA
94. Fujitsu Ltd[1]	Japan	Amdahl[1]	27	computers	300	17.1	28
94. IFI International SA	Luxembourg	Moog Automotive	100	automotive parts	300[2]	NA	NA
		Chicago Rawhide	100	automotive parts			
		River Cement	40	cement			
94. Portland Zementwerke Heidelberg AG	Germany	Lehigh Portland Cement	100	cement, furniture	150[2]	NA	NA
		Universal Atlas Cement	100	cement	150[2]	NA	NA
					300[2]		
97. Empain-Schneider	France	Ag-Met[1]	34	reclamation metals	134[7]	1.7[7]	17
		Phoenix Steel[1]	56	steel	161	2.0	13
					295		
98. DSM	Netherlands	Nipro	100	chemicals, fertilizers	275[2]	NA	NA
99. Canadian Natl Rwys	Canada	Grand Trunk Corp	100	railroad	267	16.2	41
100. AGO Holding NV	Netherlands	Life Investors[1]	27	insurance	265	16.1	65

And the 25 runners-up

Foreign investor	Country	U.S. company	% owned	Industries	Revenues (millions)	Net income (millions)	Asset (millio
101. Ghaith Pharaon	Saudi Arabia	Sam P Wallace[1]	65[3]	construction	$257	$ 2.0	$ 8
102. Robert Bosch GmbH	Germany	Robert Bosch	100	electronics	250	NA	24
102. Cadbury Schweppes Ltd[1]	UK	Cadbury Schweppes USA	100	confectionary, food, beverages	250	12.0	NA
102. Gardinier Family	France	Gardinier Big River	100	agricultural chemicals	250[2]	NA	NA
105. Lloyds Bank Group	UK	Lloyds Bank Calif	100	banking	241	15.0	2,47
106. Wellcome Fdtn Ltd	UK	Burroughs Wellcome	100	drugs	238[2]	NA	NA
107. Reed Intl Ltd[1]	UK	Reed Holdings	100	paper, publishing	231	NA	12
108. IngC Olivetti & C SpA	Italy	Olivetti Corp	100	office equipment	228	–9.5	17
109. Cominco Ltd[1]	Canada	Cominco American Inc	100	fertilizers, lead	210	25.0	13
		Hawaiian Western Steel	51	steel	16	1.0	
					226		
110. Oerlikon-Bührle Holdings AG	Switzerland	Motch & Merryweather	100	machine tools	150[2]	NA	NA
		Contraves Goerz Corp	100	electronics & optical equipment	45[2]	NA	NA
		Balzers	100	vacuum equipment	12[2]	NA	NA
					207		
111. Molson Cos Ltd	Canada	Diversey	100	chemicals	206	NA	NA
112. Holderbank Financière Glarus	Switzerland	Dundee Cement	67	cement	175[2]	NA	17
		Independent Cement	100[3]	cement	30[2]	NA	NA
					205[2]		
113. BrenninkmeyerFamily	Netherlands	Ohrbach's, Maurices, The Lodge	100[3]	apparel specialty stores	200[2]	NA	NA
113. Coats Patons Ltd[1]	UK	Coats & Clark Inc	100	textiles	200[2]	NA	13
113. Reckitt & Colman Ltd	UK	Reckitt & Colman (NA)	100	food	200[2]	NA	NA
113. Thorn EMI Ltd[1]	UK	Capitol Ind–EMI	100	records	200[2]	NA	NA
117. The Plessey Co Ltd[1]	UK	Plessey North America	100	electronics, metals	199	6.0	13
118. Thomson Newspapers Ltd	Canada	Thomson Newspapers Inc	100	newspapers	198	38.0	28

[1]Publicly traded in U.S. [2]Estimate. [3]Indirect ownership. [4]Under formation. [5]Includes results of Tappan for full year. [6]1978 sales. [7]Nine months. [8]Includes results of American credit for full year. NA: Not available.

Report from Number One Wall Street

Taking the anxiety out of foreign exchange transactions.

Irving Trust can help you manage foreign exchange better.

Perhaps not with absolute serenity, but certainly with more peace of mind.

Because of our active presence in major worldwide money centers, we can respond quickly to fast-changing markets. Every day from New York, for example, Tom Barman, Customer Service Manager, delivers the expertise of seasoned traders and advisors.

Together, these professionals can give you the immediate attention needed to deal with volatile markets. And you can be sure of superior trade executions and market analyses.

At our trading desks you'll get prompt pricing for all major currencies in spot, forward, swap, and odd-date markets. With $1 billion traded daily, you know we're fierce competitors in pricing.

Our tactical experts can help you uncover hedging opportunities; brief you on "leads and lags"; advise you on rate structures; furnish the data you need for sound decisions.

omas C. Barman, VP, keeps u abreast of what's happen- g in foreign exchange. For at's likely to happen, call ne Parker Mills, VP, ternational economist.

Additional information is provided by Anne Parker Mills, international economist. She keeps close track of the factors that affect world currencies: economic, financial, and political. These are covered in our weekly newsletter, *Foreign Exchange Market Trends.*

To put Irving Trust to work for you, call our Foreign Exchange Department at 212/487-3180. Or write for our most recent *Foreign Exchange Market Trends* to Irving Trust Company, One Wall Street, New York, N.Y. 10015.

Irving Trust
Unique. Worldwide.

ember FDIC

We did it our way.

On four separate counts the competition's disbelief in Airbus Industrie and its products has been proved wrong.

Of the A300 they said, "It will never fly." When it did, they said, "It will never be certificated." When it was, they asked, "Who will ever buy it?" When we won initial orders, they insinuated, "They'll never support it in service."

But of course we do, with an average of 98.3%* despatch reliability.

What's more, over 30 airlines have so far chosen to do it our way – and now the competition's asking if we'll be able to produce enough to meet the demand.

Compliments like that are hard to come by. Little wonder that the A300 and A310 are the number one twin-aisle twins.

*Fourth quarter of 1979. Based on C.A.B. criteria

Airbus Industrie

And the 25 runners-up

gn investor	Country	U.S. company	% owned	Industries	Revenues (millions)	Net income (millions)	Assets (millions)
chering AG	Germany	Sherex Chemical	100	industrial chemicals	$121	NA	$78
		Nepera Chemical	100	basic chemicals	35	NA	33
		Nor-Am Agric Products	100	agro-chemicals	20	NA	18
		Knoll Pharmaceutical	50	pharmaceuticals	12	NA	11
		Berlex Laboratories	100	pharmaceuticals	5	NA	93
					193		
ohnson, Matthey & Co Ltd	UK	Johnson Matthey Inc	100	precious metals	170	NA	50
		Meyercord Co	100	decals	20	NA	13
					190		
ociété Bic[1]	France	BIC Pen[1]	57	pens, lighters, razors	179	$8.8	122
TR Ltd	UK	SW Industries	100	industrial mfg	178	15.0	130
arclays Bank	UK	Barclays American	100	consumer finance	175[2,8]	9.1	908
		Barclays Bank NY	100	banking	NA	NA	598
		Barclays Bank Calif	100	banking	NA	NA	694
					175		
ootal Ltd	UK	American Thread	100	thread	115	2.3	82
		Ups 'N Downs	100	retail clothing	58	0.7	30
					173		
ainippon Ink & Chemicals Inc[1]	Japan	Polychrome	100	printing materials	140	5.6	110
		Khol & Madden Printing Ink	100	printing ink	24	–0.6	10
		DYNARIC	100	box strapping	5	–0.1	2
					169		

cly traded in U.S. [2]Estimate. [3]Indirect ownership. [4]Under formation. [5]Includes results of Tappan for full year. [6]1978 sales. [7]Nine months. des results of American credit for full year. NA: Not available.

Special Report Spotlight on ernational Business

The 100 rgest foreign companies

The table below is FORBES' first effort to rank the 100 largest foreign companies. Unlike other lists, and consistent with its approach in the FORBES 500 rankings, FORBES has ranked *all* the major overseas corporations according to their revenues in a single table—not only industrial companies but also foreign giants whose interests range from banking and utilities to trading. A few highlights:

- Last year, the top 100 had total sales of $1,186 billion.
- They employed more than 10.3 million persons.
- More than three-fourths of the top 100 are domiciled in just 4 countries: West Germany, France, Japan and the U.K. The rest are divided among another 12 countries.

Three of the first ten, led by top-ranked Royal Dutch/Shell, are energy companies whose total sales in 1979 were $123 billion. But they were far outstripped by the six biggest trading enterprises, all of them Japanese. During the same period the Japanese traders, headed by Mitsubishi Corp., had combined sales of $202 billion.

The 100 largest foreign companies

pany	Fiscal year end	Revenue* (millions)	Net income (millions)	Assets (millions)	Market value of common† (millions)	Corporate headquarters	Industry	Employees (thousands)
val Dutch/Shell Group	Dec	$59,405	$6,473	$59,717	$18,503[1]	UK/Netherlands	energy	163.0
subishi Corp	Mar	46,049	118	18,824	3,123	Tokyo, Japan	wholesaler	13.0
sui & Co, Ltd	Mar	39,433	12	20,964	1,332	Tokyo, Japan	wholesaler	13.6
ish Petroleum Ltd	Dec	38,706	3,439	34,779	11,897	London, UK	energy	113.2
toh & Co, Ltd	Mar	34,272	–21	13,614	1,585	Tokyo, Japan	wholesaler	9.8
rubeni Corp	Mar	31,279	–19	14,322	1,144	Osaka, Japan	wholesaler	10.0
nitomo Corp	Mar	29,436	47	8,637	592	Osaka, Japan	wholesaler	10.0
ional Iranian Oil Co	Dec	25,000[2]	NA	NA	none[3]	Tehran, Iran	energy	NA
sho-Iwai Co, Ltd	Mar	21,900	21	8,541	653	Tokyo, Japan	wholesaler	8.5
ilever	Dec	21,744	676	12,389	3,785[1]	Netherlands/UK	consumer goods	309.0
BA Group	Dec	19,972	239	14,080	2,748	Duesseldorf, Germany	energy	81.4
I Group	Dec	19,041	89	19,547	none[3]	Lazio, Italy	energy	121.3
Group	Dec	18,121	47	NA	498	Turin, Italy	automotive	360.0
TAL Group (Française Pétroles)	Dec	17,296	479	14,279	1,648	Paris, France	energy	43.6
A. Peugeot-Citroën	Dec	17,114	254	12,266	824	Paris, France	automotive	289.8

ue is for the "group" or consolidated except where noted, and excludes excise taxes and duties. † As of Dec. 31, 1979. [1]Combined market [2]Estimated. [3]Government, or privately owned, or cooperative. [4]Not fully consolidated. [5]Figures for year ended Dec. 31, 1978. [6]Figure for year ended 1979. [7]Figure for Sept. 30, 1979. NA: Not available.

notes: Revenues and net income are converted at an average rate of exchange for the fiscal year; assets are converted at year-end rate of exchange. Figures were used for those February and March fiscal-year companies for which 1980 results were not available at press time.

The 100 largest foreign companies

Company	Fiscal year end	Revenue* (millions)	Net income (millions)	Assets (millions)	Market value of common† (millions)	Corporate headquarters	Industry	Empl (thou
16. Volkswagen Group	Dec	$16,753	$ 371	$12,508	$2,539	Wolfsburg, Germany	automotive	2
17. NV Philips Lamp	Dec	16,568	309	18,447	1,889	Eindhoven, Neth	elec equip	3
18. Renault	Dec	16,101	239	11,738	none[3]	Haut-Sen, France	automotive	2
19. Siemens Group	Sept	15,065	358	17,012	5,178	Munich, Germany	elec equip	3
20. Daimler-Benz AG	Dec	14,931	348	8,024	3,824	Stuttgart, Germany	automotive	1
21. Hoechst Group	Dec	14,774	298	12,710	2,654	Frankfurt, Germany	chemicals	1
22. Toyota Motor Sales Co	Mar	14,424	119	4,525	1,053	Nagoya, Japan	wholesaler	
23. Bayer Group	Dec	14,186	240	13,775	3,075	Leverkusen, Germany	chemicals	1
24. Nestlé	Dec	14,133	491	10,322	4,797	Vevey, Switzerland	food	1
25. BASF Group	Dec	14,128	338	10,045	3,142	Ludwigshafen, Ger	chemicals	1
26. Petroles de Venezuela SA	Dec	14,116	2,907	13,092	none[3]	Caracas, Venezuela	energy	
27. Toyota Motor Co, Ltd[4]	June	13,967	509	6,640	5,495	Toyota City, Japan	automotive	
28. Thyssen Group	Sept	13,633	87	9,270	1,229	Duisburg, Germany	steel	1
29. Nissan Motor Co, Ltd	Mar	13,179	332	10,028	4,698	Tokyo, Japan	automotive	
30. Elf Aquitaine Group	Dec	13,167	1,398	15,846	5,501	Paris, France	energy	
31. Deutsche Bundesbahn	Dec	12,941	–1,910	NA	none[3]	Frankfurt, Germany	transportation	3
32. Hitachi, Ltd	Mar	12,781	482	13,308	2,927	Tokyo, Japan	elec equip	1
33. Nippon Steel Corp	Mar	12,531	243	16,440	3,219	Tokyo, Japan	steel	
34. Mitsubishi Heavy Inds, Ltd	Mar	11,941	112	15,464	1,720	Tokyo, Japan	indl machinery	
35. Electricité de France	Dec	11,545	–159	42,025	none[3]	Paris, France	utility	1
36. Imperial Chemical Inds Ltd	Dec	11,389	880	12,841	4,523	London, UK	chemicals	1
37. Toyo Menka Kaisha, Ltd	Mar	11,083	8	4,868	244	Osaka, Japan	wholesaler	
38. Matsushita Electric Industrial Co, Ltd	Nov	10,965	456	8,595	3,564	Osaka, Japan	elec equip	
39. Kanematsu-Gosho Ltd	Mar	10,935	1	4,754	210	Tokyo, Japan	wholesaler	
40. B.A.T Industries Ltd	Dec	10,387[2]	520	9,007	1,912	London, UK	multicompany	1
41. Petroleo Brasileiro SA	Dec	10,279	757	11,033	628	Rio De Janeiro, Brazil	energy	
42. The Electricity Council	Mar	9,889	488	16,779	none[3]	London, UK	utility	1
43. Nichimen Co, Ltd	Mar	9,535	1	3,754	216	Osaka, Japan	wholesaler	
44. Tokyo Electric Power Co[4]	Mar	9,059	410	22,950	3,936	Tokyo, Japan	utility	
45. CAMPSA	Dec	8,480	NA	NA	none[3]	Madrid, Spain	energy	
46. Toshiba Corp	Mar	8,455	104	8,614	1,689	Kawasaki, Japan	elec equip	
47. Nippon Oil Co, Ltd	Mar	8,361	41	4,335	4,498	Tokyo, Japan	energy	1
48. Saint-Gobain	Dec	8,350	154	8,041	1,053	Paris, France	building products	1
49. Cie Générale d'Electricité	Dec	8,310	106	5,885[5]	507	Paris, France	elect equip	1
50. Montedison Group	Dec	8,224	–160[2]	9,960[5]	436	Milan, Italy	chemicals	1
51. RWE Group	June	8,213	257	11,554	2,516	Essen, Germany	energy	
52. Osterreichische Industrie Verwaltungs AG	Dec	8,139	NA	4,803	none[3]	Vienna, Austria	metals	1
53. Petroleos Mexicanos	Dec	8,085	NA	NA	none[3]	Marina Nacional, Mex	energy	
54. Pechiney Ugine Kuhlmann	Dec	7,957	233	8,163	592	Paris, France	metals	
55. Rhône-Poulenc Group	Dec	7,940	186	7,806	763	Paris, France	chemicals	1
56. Petrofina SA	Dec	7,824	283	7,225	2,621	Brussels, Belgium	energy	
57. AEG-Telefunken Group	Dec	7,752	–539[4]	5,411[4]	387	Frankfurt, Germany	elec equip	1
58. NV Nederlandse Gasunie	Dec	7,377	40	3,051	none[3]	Groningen, Neth	energy	
59. ENEL	Dec	7,295	–1	NA	none[3]	Rome, Italy	utility	1
60. Banque Nationale de Paris Group	Dec	7,241	137	98,756	445	Paris, France	banking	
61. Barclays Bank Group	Dec	7,173	739	67,458	2,199	London, UK	banking	1
62. Gutehoffnungshütte Group	June	7,137	45[4]	5,180[4]	827	Oberhausen, Germany	industrial equip	
63. Thomson-Brandt Group	Dec	7,052	65	8,107	303	Paris, France	elec equip	1
64. SNCF	Dec	7,051	25	NA	none[3]	Paris, France	transportation	2
65. Friedrich Krupp Group	Dec	6,983	35	NA	none[3]	Bochum, Germany	steel	
66. Credit Lyonnais Group	Dec	6,964	90	91,085	397	Paris, France	banking	
67. Canadian Pacific Ltd	Dec	6,957	434	9,419	2,408	Montreal, Canada	transportation	1
68. British National Oil Co	Dec	6,884	29	2,639	none[3]	Glasgow, Scotland	energy	
69. Mannesmann Group	Dec	6,820	80	5,248	1,386	Duesseldorf, Germany	industrial equip	1
70. Empain-Schneider	Dec	6,649	2	NA	125	Paris, France	industrial equip	1

* Revenue is for the "group" or consolidated except where noted, and excludes excise taxes and duties. †As of Dec. 31, 1979. [1]Combined market value [2]Es ted. [3]Government, or privately owned, or cooperative [4]Not fully consolidated. [5]Figures for year ended Dec. 31, 1978. [6]Figure for year ended Ma 1979. [7]Figure for Sept. 30, 1979. NA: Not available.

General notes: Revenues and net income are converted at an average rate of exchange for the fiscal year; assets are converted at year-end rate of exchange. Fi for 1979 were used for those February and March fiscal-year companies for which 1980 results were not available at press time

The 100 largest foreign companies

npany	Fiscal year end	Revenue* (millions)	Net income (millions)	Assets (millions)	Market value of common† (millions)	Corporate headquarters	Industry	Employees (thousands)
eutsche Bank Group	Dec	$6,634	$225	$91,289	$3,303	Frankfurt, Germany	banking	43.9
STEL NV	Dec	6,500	–87	5,678	none[3]	Nijmegen, Neth	steel	79.2
ational Westminster Bank	Dec	6,496	702	64,377	1,825	London, UK	banking	80.3
itish Steel Corp	Mar	6,384	–601	10,824	none[3]	London, UK	steel	186.0
aamloze Vennoot-chap DSM	Dec	6,356	44	4,877	none[3]	Heerlen, Neth	chemicals	31.8
L Limited	Dec	6,344	–307	4,988	583	London, UK	automotive	176.8
rédit Agricole	Dec	6,307[4]	388	104,975	none[3]	Paris, France	banking	65.0
ıhrkohle[5]	Dec	6,217	2	5,958	none[3]	Essen, Germany	energy	136.5
emitsu Kosan Co Ltd	Mar	6,127	–13	5,975	none[3]	Tokyo, Japan	energy	10.1
ırstadt Group	Dec	6,050	24	1,363	1,010	Essen, Germany	retailer	85.2
énérale Occidentale	Mar	6,000[2]	NA	1,627[6]	205	Paris, France	multicompany	60.0
xzo Group	Dec	5,989	115	4,738	369	Arnhem, Netherlands	chemicals	83.0
ınlop Pirelli Union	Dec	5,981	NA	NA	none[3]	London, UK	automotive	162.1
ba-Geigy Ltd	Dec	5,949	195	9,827	2,700	Basle, Switzerland	chemicals & drugs	80.2
ippon Kokan K.K.	Mar	5,941	49	11,394	1,307	Tokyo, Japan	steel	36.0
nsider Group[5]	Dec	5,926	–613	12,534	110	Rome, Italy	steel	109.4
ational Coal Board	Mar	5,804	–38	5,450	none[3]	London, UK	energy	300.0
onda Motor Co, Ltd	Feb	5,783	123	3,576	1,772	Tokyo, Japan	automotive	33.4
itish Gas Corp	Mar	5,770	335	5,402	none[3]	London, UK	utility	102.9
ciété Générale Group	Dec	5,600[2]	160[2]	84,914	none[3]	Paris, France	banking	44.0
olvo Group	Dec	5,475	97	4,993	368	Gothenburg, Sweden	automotive	65.1
Konsum Coop Group	Dec	5,348	26	2,807	none[3]	Stockholm, Sweden	cooperative	72.2
o Tinto-Zinc Corp Ltd	Dec	5,339	248	7,091	1,824	London, UK	metals	57.3
ichelin Group	Dec	5,336	134	6,073[5]	869	Clermont-Ferrand, Fr	automotive	120.0
nsai Electric Power Co[4]	Mar	5,322	–82	12,829	2,663	Osaka, Japan	utility	23.7
mitomo Metal Inds Ltd	Mar	5,314	85	9,055	1,130	Osaka, Japan	steel	29.0[4]
perial Group Ltd	Oct	5,300[2]	503	4,229	1,183	London, UK	multicompany	101.8
C Brown Boveri & Cie	Dec	5,292	25[4]	2,403[4]	899	Baden, Switzerland	multicompany	101.4
itsubishi Electric Corp	Mar	5,057	109	4,710	1,171	Tokyo, Japan	elec equip	59.7
HV Holdings nv	Dec	5,047	54	1,810	564	Utrecht, Netherlands	wholesaler	29.0

And the 25 runners-up

eorge Weston Ltd	Dec	$5,009	$ 59	$ 1,290	$ 215	Toronto, Canada	food	65.0
awasaki Steel Corp[4]	Mar	4,998	218	6,835	1,256	Tokyo, Japan	steel	35.1
aiei, Inc	Feb	4,947	40	2,809	873	Osaka, Japan	retailer	40.8
ritish Railways Board	Dec	4,891	–1	5,673	none[3]	London, UK	transportation	244.1
resdner Bank	Dec	4,858	146	70,043	1,956	Frankfurt, Germany	banking	31.4
eneral Electric Co Ltd	Mar	4,855	417	5,466	4,027	London, UK	elec equip	155.0
obert Bosch Group[5]	Dec	4,788	109	3,774	none[3]	Stuttgart, Germany	automotive	118.3
riedrich Flick Group	Dec	4,747	NA	3,845[5]	none[3]	Duesseldorf, Germany	chemicals	46.8
anco do Brasil	Dec	4,719	569	49,014	898	Brasilia, Brazil	banking	84.5
igros-Genossenschaffs-und	Dec	4,642	62	3,166	none[3]	Zurich, Switzerland	retailer	37.5
awasho Corp[4]	Sept	4,635	2	1,798	81	Osaka, Japan	wholesaler	1.5
ell Canada	Dec	4,494	370	8,883	2,781	Montreal, Canada	telecommunications	94.1
aruzen Oil Co, Ltd	Mar	4,433	–2	2,810	623	Osaka, Japan	energy	4.7
oyal Bank of Canada	Oct	4,418	242	45,224	1,327	Montreal, Canada	banking	36.8[4]
hubu Electric Power Co[4]	Mar	4,401	213	8,819[7]	2,223	Nagoya, Japan	utility	19.0

nue is for the "group" or consolidated except where noted, and excludes excise taxes and duties. †As of Dec. 31, 1979. [1]Combined market value. [2]Estima- Government, or privately owned, or cooperative. [4]Not fully consolidated. [5]Figures for year ended Dec. 31, 1978. [6]Figure for year ended Mar. 31, [7]Figure for Sept. 30, 1979. NA: Not available.

l notes: Revenues and net income are converted at an average rate of exchange for the fiscal year; assets are converted at year-end rate of exchange. Figures 9 were used for those February and March fiscal-year companies for which 1980 results were not available at press time.

And the 25 runners-up

Company	Fiscal year end	Revenue* (millions)	Net income (millions)	Assets (millions)	Market value of common† (millions)	Corporate headquarters	Industry	Empl (thous
116. Kobe Steel, Ltd[4]	Mar	$4,389	$ 68	$5,919	$ 887	Tokyo, Japan	steel	
117. Alcan Aluminium	Dec	4,381	427	4,490	1,896	Montreal, Canada	metals	6
118. Kaufhof Group	Dec	4,362	21	1,560	632	Cologne, Germany	retailer	5
119. Hyundai Construction Co	Dec	4,304	60	4,504	NA	Seoul, Korea	shipbuilding	10
120. Metallgesellschaft	Sept	4,242	10	2,354	616	Frankfurt, Germany	metal refining	2
121. Guest Keen & Nettlefolds	Dec	4,160	70	3,696	910	West Midlands, UK	automotive	10
122. Solvay Group	Dec	4,126	138	4,115	565	Brussels, Belgium	chemicals	4
123. Taiyo Fishery Co, Ltd	Jan	4,123	16	1,923	175	Tokyo, Japan	food	
124. Mitsubishi Chemical Inds	Jan	4,112	43	4,382	740	Tokyo, Japan	chemicals	1
125. BMW Group	Dec	4,041	64	1,959	953	Munich, Germany	automotive	4

* Revenue is for the "group" or consolidated except where noted, and excludes excise taxes and duties. †As of Dec. 31, 1979. [1]Combined market value. [2]Es ted. [3]Government, or privately owned, or cooperative [4]Not fully consolidated. [5]Figures for year ended Dec. 31, 1978. [6]Figure for year ended Ma 1979. [7]Figure for Sept. 30, 1979. NA: Not available

General notes: Revenues and net income are converted at an average rate of exchange for the fiscal year; assets are converted at year-end rate of exchange F for 1979 were used for those February and March fiscal-year companies for which 1980 results were not available at press time.

Special Report Spotlight on International Business

The 100 largest U.S. multinationals

Five of the top ten among the 100 largest U.S.-based multinationals are, once again, oil companies. Predictably, last year their total foreign revenues increased 30%, with Exxon, Mobil and Texaco in the lead. But the five biggest nonoil giants, headed by Ford and GM, nearly kept pace, their combined foreign sales up 25%. Engelhard Minerals & Chemicals' move to tenth place, though a jump of only one notch, was no small achievement. The dizzying prices that precious metals commanded in world markets helped to push its overseas revenues to almost $9.8 billion, a 92% j over last year.

Another big gainer was Charter which appears on the table for the time as number 67 (it didn't even r the runners-up last year) because o acquisition of Carey Energy and its Bahamian refinery operation.

Among those multinationals that the most ground was $673 million eign revenues) Pullman. A year ag was 84th; but, with a 28% declin operating sales from Western Europ fell to 125th.

The 100 largest U.S. multinationals

Rank	Company	Foreign revenue (millions)	Total revenue (millions)	Foreign as % of total	Foreign operating profit* (millions)	Total operating profit* (millions)	Foreign as % of total	Foreign assets (millions)	Total assets (millions)	Forei as % tota
1	Exxon	$56,999	$79,107	72.1%	$3,337	$5,027	66.4%	$26,519	$49,490	53.6
2	Mobil	27,401[2]	45,477[2]	60.3	1,419[1]	2,007[1]	70.7	14,504	27,506	52.7
3	Texaco	26,023	38,350	67.9	1,085[1]	1,759[1]	61.7	12,613	22,992	54.9
4	Ford Motor	19,106	43,514	43.9	1,368[1]	1,169[1]	117.0	12,814	23,510	54.5
5	Standard Oil Calif	17,490	29,948	58.4	977[1]	1,785[1]	54.7	9,914	18,095	54.8
6	General Motors	16,751	66,311	25.3	591[1]	2,893[1]	20.4	8,369	32,023	26.1
7	IBM	12,244	22,863	53.6	1,437[1]	3,011[1]	47.7	12,345	24,530	50.3
8	Intl Tel & Tel[3]	11,579	21,996	52.6	905	1,607	56.3	11,388	26,178	43.5
9	Gulf Oil	11,102	23,910	46.4	590[1]	1,322[1]	44.6	6,302	17,265	36.5
10	Engelhard Minerals	9,790[2]	18,102[2]	54.1	453	649	69.9	2,414	5,800	41.6
11	Citicorp	7,287[4]	10,904	66.8	352[1]	541[1]	65.1	61,824[5]	94,281[5]	65.6
12	General Electric	4,997[2]	22,980[2]	21.7	293[1]	1,409[1]	20.8	4,049	16,645	24.3
13	BankAmerica	4,728	9,450	50.0	226[1]	600[1]	37.7	39,737[5]	94,301[5]	42.1
14	Conoco	4,709[2,6]	13,030[2,6]	36.1	372[1]	815[1]	45.7	3,358	9,311	36.1
15	Dow Chemical	4,672	9,255	50.5	649	1,334	48.7	5,389	10,252	52.6
16	Occidental Petroleum	4,573[2]	9,638[2]	47.4	1,392	1,430	97.4	2,194	5,560	39.5
17	Chase Manhattan	3,786	6,079	62.3	146[1]	303[1]	48.2	32,481	64,708	50.2
18	Standard Oil Indiana	3,725[2]	18,930[2]	19.7	719[1]	1,507[1]	47.7	5,417	17,150	31.6
19	EI du Pont de Nemours	3,357	12,572	26.7	393	1,760	22.3	2,325	8,940	26.0
20	Xerox	3,316	7,027	47.2	262[1]	563[1]	46.6	3,023	6,554	46.1

*Unless otherwise indicated. [1]Net income. [2]Includes other income. [3]Includes proportionate interest in unconsolidated subsidiaries or investments. [4]Estimate. [5]Average assets. [6]Includes excise taxes. [7]Profit before interest and after taxes. [8]Income before security gains or losses. [9]Excludes international transportation. [10]Pretax income. [11]Excludes Canada. [12]From continuing operations. [13]Excludes Canada and Mexico.
PD: Profit over deficit. DP: Deficit over profit. NA: Not available.

C-E helps process one-fourth of the oil and gas the world uses every day.

ll over the world, Combustion ngineering and its subsidiaries re helping to meet the con- nuing demand for oil and gas.

For the Arabian American il Company, C-E Lummus en- ineered and supervised the brication of modular desalters or twenty-five gas/oil separation lants. Capable of handling mil- ons of barrels of crude oil daily, e desalters are being shipped modular form from Japan for ssembly at remote sites in audi Arabia.

In other locations, C-E latco equipment helps desalt, efoam, dewater and do other rocessing needed to prepare oil nd gas for the pipeline. And esides processing it, we also elp drill for it, extract it, pump , clean it, deliver it and refine it.

C-E's Gray Tool Company ioneered the first wellhead ssembly able to operate at pressures of 30,000 pounds per square inch–extending the search for oil and gas into earth layers too difficult to control before.

C-E Crest has designed systems that produce 10 million barrels of oil a day.

C-E Vetco systems can be found in every offshore producing area of the world. And two-thirds of the world's floating drilling rigs are outfitted with C-E Vetco equipment.

C-E Lummus engineered over 30% of Europe's refining capacity. And was responsible for engineering and supervising construction of deck facilities for offshore platforms in the North Sea that can withstand 130-mph winds and 100-foot-high waves.

C-E: World leader in energy technology.

Helping to find and bring in oil and gas. Upgrading and building refineries and petrochemical plants. Developing cleaner, more efficient ways electric utilities can use coal. Providing equipment and services for nuclear power generation. And leading the way in the development of alternative fuels.

No other company has Combustion Engineering's broad range of capabilities for helping energy-related industries meet the challenges of the 80's and beyond. For a copy of our latest report to shareholders, write Combustion Engineering, Inc., Dept. 7004-147, 900 Long Ridge Road, Stamford, Connecticut, USA 06902.

COMBUSTION ENGINEERING

The Energy Systems Company

To find the spectrum, you need the prism.

A universal bank, such as Deutsche Bank, acts as a prism. It takes in the widely varied problems of a multitude of clients and carefully breaks each one into its various components in order to find the most efficient solution.

Deutsche Bank offers the full range of services in all their diverse facets, be it in the field of foreign exchange, merger and acquisition, trade financing, portfolio management or in any other financial area.

Come to Deutsche Bank when you want the full spectrum of banking services focused on your problem or call:
New York (212) 940-8000
Toronto (416) 865-0630

Deutsche Bank
A century of universal banking

Central Office: Frankfurt am Main/Düsseldorf. Branches: Antwerp, Asunción, Brussels, Buenos Aires, Hong Kong, London, Madrid, Milan, New York, Paris, São Paulo, Tokyo; Representative Offices: Beirut, Bogotá, Cairo, Caracas, Istanbul, Johannesburg, Lagos, Mexico, Moscow, Nairobi, Osaka, Rio de Janeiro, San José, Santiago, Sydney, Tehran, Tokyo, Toronto; Subsidiaries: Hong Kong, London, Luxembourg, Singapore.

The 100 largest U.S. multinationals

Rank	Company	Foreign revenue (millions)	Total revenue (millions)	Foreign as % of total	Foreign operating profit* (millions)	Total operating profit* (millions)	Foreign as % of total	Foreign assets (millions)	Total assets (millions)	Foreign as % of total
21	Eastman Kodak	$3,239	$ 8,028	40.4%	$ 482	$1,649	29.2%	$2,536	$7,547	33.
22	Goodyear	3,168	8,239	38.5	242	489	49.4	2,295	5,371	42.
23	Sun Co	3,141[2]	10,801[2]	29.1	179[7]	780[7]	23.0	1,785	7,461	23.
24	Safeway Stores	2,952	13,718	21.5	108	304	35.7	756	3,101	24.
25	Union Carbide	2,782	9,177	30.3	318	1,072	29.7	2,517	8,803	28.
26	Procter & Gamble	2,772	9,329	29.7	115[1]	577[1]	19.9	1,360	5,664	24.
27	Colgate Palmolive	2,706	4,494	60.2	262	374	70.1	1,262	2,429	52.
28	Chrysler	2,635	12,002	22.0	–25[1]	–1,097[1]	2.3	2,055	6,653	30.
29	Tenneco	2,545	11,209	22.7	259	1,358	19.1	2,390	11,631	20.
30	FW Woolworth	2,413	6,785	35.6	184	346	53.2	1,169	2,927	39.
30	CPC International	2,413	3,699	65.2	234	345	69.8	1,413	2,068	68.
32	Coca-Cola	2,299	4,961	46.3	523	795	65.8	1,228	2,938	41.
33	Intl Harvester	2,293	8,392	27.3	272	827	32.9	1,432	5,248	27.
34	Pan Am World Airways	2,281	2,485	91.8	118	78	150.2	NA	2,677	N
35	Union Oil California	2,233[2]	7,681[2]	29.1	106	1,081	9.8	711	6,013	11.
36	JP Morgan	2,226	3,634	61.3	150[8]	288[8]	52.2	22,116	43,488	50.
37	General Tel & Elec	2,195	9,958	22.0	57[1]	645[1]	8.8	3,292	18,406	17.
38	Minn Mining & Mfg	2,139	5,440	39.3	430	1,179	36.5	1,493	4,575	32.
39	United Technologies	2,103	9,053	23.2	218	695	31.4	1,651	6,426	25.
40	Manufacturers Hanover	2,069	3,847	53.8	103[1]	212[1]	48.6	21,869	47,675	45.
41	Atlantic Richfield	1,986	16,234	12.2	78[1]	1,166[1]	6.7	1,055	13,833	7.
42	Phillips Petroleum	1,964	9,503	20.7	1,209	2,173	55.6	1,908	8,519	22.
43	Monsanto	1,955	6,193	31.6	–24	524	DP	1,680	5,539	30.
44	Johnson & Johnson	1,839	4,212	43.7	328	634	51.8	1,253	2,874	43.
45	Kraft	1,820	6,433	28.3	100	428	23.3	760	2,523	30.
46	American Brands	1,818	3,772	48.2	158	684	23.0	1,245	3,671	33.
47	Firestone	1,747	5,284	33.1	61	289	21.1	1,311	3,457	37.
48	RJ Reynolds Inds	1,732	7,133	24.3	107[9]	1,130	9.5	982[9]	6,422	15.
49	Caterpillar Tractor	1,631	7,613	21.4	78	950	8.2	1,055	5,403	19.
50	Sperry	1,628	4,179	39.0	237	555	42.8	1,588	3,724	42.
50	Beatrice Foods	1,628	7,468	21.8	118	612	19.3	922	3,669	25.
52	NCR	1,626	3,003	54.2	189	460	41.0	1,360	2,918	46.
53	WR Grace	1,577	5,267	29.9	253	573	44.2	860	3,729	23.
54	Continental Group	1,555	4,370	35.6	96	254	37.8	773	3,595	21.
55	Pfizer	1,549	2,746	56.4	272	433	62.9	1,482	3,049	48.
56	Trans World	1,542[2]	4,370[2]	35.3	101	127	79.5	834	2,807	29.
57	Sears, Roebuck[3]	1,536	25,197	6.1	47[1]	785[1]	6.0	1,021	27,411	3.
58	Halliburton	1,475	7,766	19.0	157	593	26.5	1,196	3,923	30.
58	Chemical New York	1,475	3,294	44.8	50[1]	135[1]	37.0	17,129	39,375	43.
60	Bankers Trust New York	1,467	2,727	53.8	59[1]	114[1]	51.8	14,420	30,953	46.
61	General Foods	1,421	5,472	26.0	54	495	11.0	675	2,565	26.
62	Warner-Lambert	1,416	3,217	44.0	241	534	45.1	1,111	2,874	38.
63	RCA	1,415	7,455	19.0	126[10]	472[10]	26.7	902	5,988	15.
64	TRW	1,371	4,560	30.1	176	445	39.6	952	2,620	36.
65	Deere	1,355	4,933	27.5	31	553	5.6	1,101	4,179	26.
66	Consolidated Foods	1,347	4,720	28.5	116	317	36.5	730	2,090	34.
67	Charter	1,300	4,250	30.6	386	495	78.0	557	1,729	32.
68	American Express	1,261	4,667	27.0	97	464	20.8	8,168	17,108	47.
69	Gillette	1,260	1,985	63.5	133[11]	254	52.4	926[11]	1,528	60.
70	American Home Products	1,246[2]	3,650[2]	34.1	220	713	30.9	669	2,091	32.
71	Marathon Oil	1,222	6,681	18.3	124[1]	295[1]	41.9	1,437	4,321	33.
71	Burroughs	1,222[2]	2,831[2]	43.1	238	614	38.7	1,418	3,387	41.
73	Continental Illinois	1,213	3,376	35.9	36[1]	196[1]	18.4	13,622	35,790	38.
74	Bendix	1,202	3,856	31.2	102	350	29.0	716	2,311	31.
75	First Chicago	1,171	2,646	44.3	4[1]	112[1]	3.6	13,425	30,182	44.

*Unless otherwise indicated. [1]Net income. [2]Includes other income. [3]Includes proportionate interest in unconsolidated subsidiaries or investments. [4]Estimate. [5]Average assets. [6]Includes excise taxes. [7]Profit before interest and after taxes. [8]Income before security gains or losses. [9]Excludes international transportation. [10]Pretax income. [11]Excludes Canada. [12]From continuing operations. [13]Excludes Canada and Mexico. PD: Profit over deficit. DP: Deficit over profit. NA: Not available.

"I get more favorable, unsolicited comment on the Center than any other organization that I've been involved with."

J. K. Jamieson
Former Chairman of the Board
Exxon Corporation

Founded in 1976, The Center for International Business is an independent, non-profit, membership organization that seeks to develop global trade and investment opportunities at the senior level between the United States and nations abroad.

The two hundred thirty members of the Center are primarily multinational corporations throughout the United States, Europe, Japan and Saudi Arabia that recognize, and are concerned with, the vital importance of international trade to their shareholders, their employees and the economies of their countries.

Their involvement is based on the philosophy that over the course of history, human progress and development have been achieved in large measures by the interchange of ideas and concepts, as well as by the exchange of economic resources and wealth.

To this end, the Center provides business executives with a unique forum and a select series of professional development opportunities. These include the Annual International Trade Conference, regional briefings and special briefings for member companies. In addition, a select series of publications, "The International Essays for Business Decision Makers," "The Occasional Papers," and "Conference Reports" are presented by the Center as an additional source of communication on critical issues affecting multinational business.

For additional information on membership, programs or publications, please contact either of the tandem offices:

The Center for International Business

Houston:
4600 Post Oak Place Drive
Suite 161
Houston, Texas 77027
Telephone: (713) 871-1771

Dallas:
World Trade Center
Suite 184
Dallas, Texas 75258
Telephone: (214) 742-7301

The 100 largest U.S. multinationals

Rank	Company	Foreign revenue (millions)	Total revenue (millions)	Foreign as % of total	Foreign operating profit* (millions)	Total operating profit* (millions)	Foreign as % of total	Foreign assets (millions)	Total assets (millions)	Fore as % tot
75	Fluor	$1,171	$3,543	33.0%	$ 91	$209	43.5%	$389	$1,268	30
77	PepsiCo	1,162	5,091	22.8	117	521	22.4	840	2,888	29
78	Hewlett-Packard	1,160	2,361	49.1	134	398	33.7	532	1,900	28
79	Honeywell	1,156	4,210	27.5	137	478	28.7	941	3,340	28
80	Ralston Purina	1,139	4,601	24.7	48	298	16.0	378	2,183	17
81	Amerada Hess	1,133	6,770	16.7	138[1]	507[1]	27.2	1,061	4,899	21
82	American Cyanamid	1,125	3,187	35.3	170	329	51.8	767	2,827	27
83	Merck	1,120	2,385	47.0	209	604	34.6	1,044	2,614	39
84	Singer	1,116	2,598	43.0	106	148	71.6	672	1,482	45
85	Allied Chemical	1,104	4,332	25.5	143[1,12]	176[1,12]	81.3	1,086	4,210	25
86	American Standard	1,093	2,432	44.9	150	285	52.6	597	1,423	42
87	Gulf & Western Inds[3]	1,081	6,507	16.6	134	564	23.8	1,106	5,160	21
88	Esmark	1,080	6,743	16.0	37	240	15.5	290	2,390	12
89	International Paper	1,072	4,533	23.7	128	449	28.5	706	4,843	14
90	Avon Products	1,067	2,378	44.9	170	447	38.1	607	1,406	43
90	American Intl Group	1,067	2,328	45.9	172	321	53.5	2,340	5,728	40
92	Texas Instruments	1,056	3,224	32.8	175[10]	309[10]	56.6	571	1,908	29
93	Standard Brands	1,052	2,613	40.2	73	180	40.9	617	1,385	44
94	Getty Oil	1,042	4,831	21.6	818	1,568	52.1	1,671	6,032	27
95	Litton Industries	990	4,088	24.2	86	389	22.2	954	2,854	33
96	Scott Paper	983	1,908	51.5	65[1]	137[1]	47.1	763	1,830	41
97	Westinghouse Electric	972	7,332	13.3	95	463	20.5	633	6,822	9
98	Uniroyal	953	2,575	37.0	41	–34	PD	521	1,669	31
99	Philip Morris	952	6,144	15.5	90	1,157	7.8	1,068	6,379	16
100	Bristol-Myers	949	2,753	34.5	153	465	32.8	665	1,922	34

And the 25 runners-up

Rank	Company	Foreign revenue (millions)	Total revenue (millions)	Foreign as % of total	Foreign operating profit* (millions)	Total operating profit* (millions)	Foreign as % of total	Foreign assets (millions)	Total assets (millions)	Fore as % tot
101	HJ Heinz	$935	$2,471	37.9%	$77	$215	35.8%	$609	$ 1,624	37
102	Carnation	919	2,826	32.5	63	257	24.5	404	1,484	27
103	First National Boston	903	1,637	55.2	17[1]	84[1]	20.2	5,778[5]	12,809[5]	45
104	Ingersoll-Rand	886	2,542	34.8	96	361	26.6	754	2,128	35
105	Eli Lilly	879	2,206	39.9	91[1]	330[1]	27.7	818	2,179	37
106	Eaton	878	3,360	26.1	31[1]	154[1]	20.1	653	2,355	27
107	JC Penney	861	11,274	7.6	NA	244[1]	NA	NA	5,077	N
108	Kimberly-Clark	851	2,218	38.4	72	254	28.1	951	2,105	45
109	ASARCO[3]	833	2,557	32.6	171[1]	259[1]	66.1	1,106	2,526	43
110	Borden	813	4,313	18.9	51	300	16.9	575	2,463	23
111	Borg-Warner	794	2,705	29.4	48	243	19.7	503	1,817	27
112	Owens-Illinois	791	3,504	22.6	47	252	18.7	690	2,910	23
113	City Investing	788	5,041	15.6	89	455	19.6	763	6,866	11
114	Dresser Industries	769	3,457	22.2	80	462	17.3	584	2,504	23
115	Rockwell International	767	6,176	12.4	90	538	16.8	606	4,128	14
116	Levi Strauss	764	2,103	36.3	144	390	36.9	400	1,291	31
117	Armco	752	5,035	14.9	98	466	21.0	455	3,260	13
118	Control Data[3]	729	3,250	22.4	80	623	12.8	536	6,785	7
119	Black & Decker	725	1,205	60.2	76[1]	94[1]	80.7	505	910	55
120	United Brands	720[13]	3,470	20.8	NA	21[1]	NA	465[12]	1,217	38
121	Foster Wheeler	707	1,654	42.7	33	74	44.8	369	895	41
122	Sterling Drug	705	1,501	47.0	92	216	42.4	571	1,150	49
123	Emhart	691	1,574	43.9	79	128	61.1	381	965	39
123	Motorola	691[4]	2,714	25.5	69	335	20.7	542	1,903	28
125	Pullman	673[2]	3,208[2]	21.0	31	156	19.9	239	1,299	18

*Unless otherwise indicated. [1]Net income. [2]Includes other income. [3]Includes proportionate interest in unconsolidated subsidiaries or investments. [4]Estimate. [5]Average assets. [6]Includes excise taxes. [7]Profit before interest and after taxes. [8]Income before security gains or losses. [9]Excludes international transportation. [10]Pretax income. [11]Excludes Canada. [12]From continuing operations. [13]Excludes Canada and Mexico. PD: Profit over deficit. DP: Deficit over profit. NA: Not available.

Why you should consult the bank that placed 3100 dots on the map of the Netherlands.

Rabobank Nederland heads a co-operative banking organisation with 3100 offices on the Netherlands' 20,000 square miles. On-the-spot services therefore are available in every part of the country.

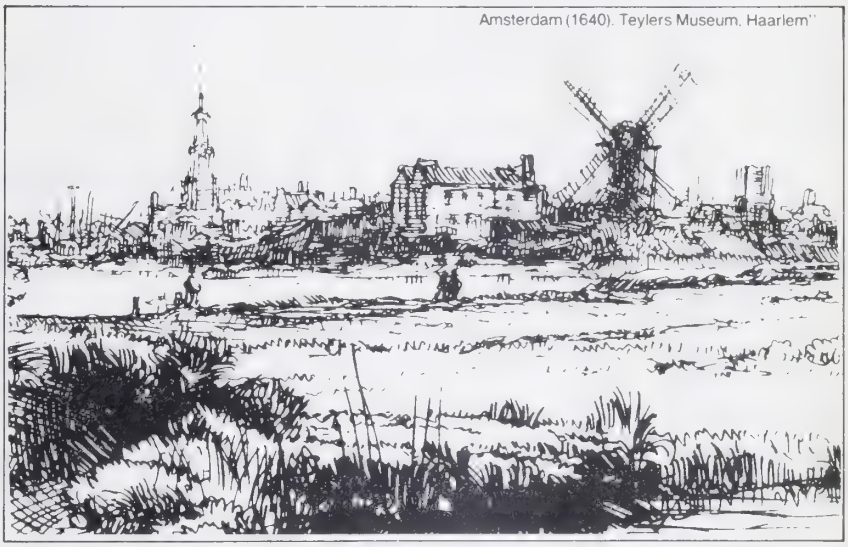
Rabobank is the largest provider of credit to the Dutch agricultural sector, and plays a key role in agribusiness finance.

Both importers and exporters are served by the bank's up-to-date knowledge and expertise in international trade finance.

Rabobank Nederland is also active in the Euro-currency and Eurobond markets, foreign exchange, Eurocredits and new issues.

Rabobank Nederland is a member of Unico Banking Group, in which 6 major European co-operative banks work together.
As a group, these banks have 36,000 offices and total assets of some US $ 400 billion.

Total assets of more than 86 billion Dutch guilders (approx. US $ 45 billion) place Rabobank among the 25 largest banks in the world. Sound reasons to consult the bank that placed 3100 dots on the map of the Netherlands.



Rembrandt country is Rabobank country.

The country which inspired Rembrandt's internationally acclaimed masterpieces has inspired the Rabobank to create services of worldwide importance.

Rabobank Nederland, International Division,
Catharijnesingel 20, 3611 GB Utrecht, the Netherlands.
Representative Office Frankfurt, Friedrich-Ebert-Anlage 2-14, D-6000 Frankfurt am Main 1, West Germany.

79120/43

Rabobank

Dutch Masters in Banking.

Wall Streeters call noninstitutional-quality bonds "junk." But high yields and potential capital gains go along with bad ratings.

You can still get 10%

YOU WON'T FIND BONDS rated BB or lower by Standard and Poor's or Ba or lower by Moody's in most institutional portfolios, but that doesn't mean all "junk" bonds are trash. True, these noninvestment-grade bonds have greater risk but many offer high yields and large capital gains potential.

Noninvestment-grade issues tend to move like common stocks rather than keep pace with interest rates. The fate of such bonds depends largely on the market's evaluation of a company's prospects. Several highly speculative bonds sell at deep discounts. For example, the Metropolitan Edison 2008 9% coupon sells for $550 and yields 16.4%, but bankruptcy of the parent company, General Public Utilities, cannot be ruled out, however remote the possibility.

Although obviously risky and *not* backed by government loan guarantees, the existing bonds of Chrysler Corp. and Chrysler Financial, a wholly owned subsidiary, also offer high yields.

For real gamblers there is the 2022 4½% coupon bond of the bankrupt New York, New Haven and Hartford Railroad. This bond, currently in default, can be picked up for 14 cents on the dollar.

All is not hard times in Junkbondsville. The 10% subordinated debentures (2004) of Teledyne appear to be quite secure. The bond, which yields 12.1% and sells at a discounted $825, is rated BB by S&P's because it is subordinated to Teledyne's quality-rated debt. But if C man Henry Singleton were to apply ent cash flow to Teledyne's total deb could liquidate the entire amour about six months. Many other r firms would need four to six years the same. Like so many other so-c junk bonds, Teledyne's are only jur the eyes of some institutional inves

A number of junk bonds started o life as convertibles—the option o changing them for common stock stated price serving to sweeten the nal offering and avoid a higher cou The convertible feature usually me lower yield.

With few exceptions each issue l below has $65 million or more in b outstanding. The relative safety of i est payments can be inferred fron 1979 interest coverage ratio—wit caution that the coverage for some b will deteriorate as the economy slo

Many investors are turning to mu funds as a less risky way of playin junk bond game. For a small sacrifi yield the funds spread the risk by div fying into a large number of issues. junk bond funds on the table belo presently yielding between 9.2% 13%.—*Steve Kichen*

Statistical Spotlig

Straight interest bonds—noninvestment grade

A good many institutional portfolio managers won't touch these "junk" bonds because of their low ratings. Investors with a taste for risk, though, just might like t yields (over 10%) and their potential for capital gains.

Company	Current yield	Recent price	S&P's rating	Interest coverage 1979[1]	Coupon %	Maturity	52-week price range	Industry
Avco Corp	11.8%	$ 635	B	1.47	7½%	1993	$ 763-521	Multicompany
Buttes Gas & Oil	13.4	765	B	1.04	10¼	1997	835-580	Oil & gas
Chrysler Corp	19.0	468	B	d 2.98	8⅞	1995	760-288	Automotive
Chrysler Corp	18.6	430	B	d 2.98	8	1998	689-283	Automotive
Chrysler Financial	14.6	640	B	1.14	9⅜	1987	805-510	Finance
Chrysler Financial	13.8	651	BB	1.14	9	1986	824-495	Finance
Chrysler Financial	14.2	590	BB	1.14	8.35	1991	745-480	Finance
Chrysler Financial	13.7	561	BB	1.14	7.7	1992	700-450	Finance
Chrysler Financial	13.5	545	B	1.14	7⅜	1986	730-464	Finance
City Investing	12.3	744	BB	1.70	9⅛	1997	850-606	Multicompany
Fuqua Industries	12.7	780	B	2.64	9⅞	1997	880-630	Multicompany
Gelco	14.3	1,020	B	1.33	14⅝	1999	1,020-875	Leasing
General Host	11.0	638	CCC	1.56	7	1994	650-470	Food
Gulf Resources & Chemicals	13.4	930	B	1.77	12½	2004	1,000-781	Mining
Humana	12.9	910	B	1.60	11.7	1998	1,000-705	Health services
Jones & Laughlin Ind (LTV)	12.9	525	B	2.12	6¾	1994	570-400	Multicompany
Jones & Laughlin Steel (LTV)	13.0	750	BB	4.59	9¾	1996	870-600	Multicompany
Loew's Theatres (Loews)	10.2	671	B	2.59	6⅞	1993	809-578	Theaters, tobacco
LTV	14.1	779	CCC	1.91	11	2007	859-583	Multicompany
McCrory (Rapid-American)	13.5	574	CCC	2.16	7¾	1995	713-445	Retail
Metropol Edison (Gen Pub Uti[1])	16.4	550	BB	1.60	9	2008	568-451[2]	Electric utility
Mo-Kan-Texas RR (Katy Ind)	default	190	C	1.24	5½	2033	270-160	Railroad
Missouri Pacific RR	12.1	413	BB	2.60	5	2045	493-364	Railroad
NVF	11.5	435	B	2.55	5	1994	513-345	Steel
NY NH & Hartford	default	140	D	default	4½	2022	150- 93	Railroad

[1]Standard & Poor's; FORBES. [2]26-week price range. d: deficit. NR: Not rated.

ny	Current yield	Recent price	S&P's rating	Interest coverage 1979[1]	Coupon %	Maturity	52-week price range	Industry
H & Hartford	default	$850	D	default	4%	2007	$ 925-760	Railroad
n World Air	12.2	914	BB	1.87	11⅛	1986	1,020-781	Airline
Lewis	13.3	920	B	1.65	12¼	1998	990-750	Oil & gas
la Inns	13.2	756	B	1.48	10	1993	846-623	Hotel
American	13.1	535	CCC	1.28	7	1994	589-411	Retail
American	10.3	585	CCC	1.28	6	1988	631-490	Retail
s International	13.3	754	BB	15.67	10	1999	853-640	Gambling
	13.1	870	B	5.28	11⅜	1998	995-695	Office equipment
Steel (NVF)	15.7	906	BB	4.00	14¼	1999	950-800	Steel
	13.1	613	BB	1.53	8	1999	815-505	Multicompany
ne	12.1	825	BB	17.58	10	2004	996-696	Multicompany
	15.3	768	B	1.70	11¾	1996	975-676	Computer equipment
International	13.2	870	B	0.90	11½	1997	943-688	Oil and gas
World Corp	13.7	729	B	1.10	10	1999	739-580	Airline
Brands	12.6	726	B	1.73	9⅛	1998	820-550	Food processing
Airways	13.2	855	BB	1.41	11¼	1994	959-698	Airline
	12.7	805	B	1.36	10¼	1997	878-643	Offshore drilling

rd & Poor's; FORBES. [2]26-week price range. d: deficit. NR: Not rated.

Convertible bonds—noninvestment grade

For the venturesome investor these "junk" bonds offer two ways to get capital gains.

ny	Current yield	Recent price	S&P's rating	Interest coverage 1979*	Coupon %	Maturity	52-week price range	Shares per $1,000 bond	Bond value if converted now	Premium of present bond price over conversion
	8.6%	$ 640	B	3.58	5½%	1994	$ 730-561	21.74	$ 432	48%
	9.2	600	B	1.47	5½	1993	730-500	18.52	424	42
ıter Sciences	6.5	920	B	4.59	6	1994	958-720	37.04	764	20
l Oil	11.3	1,010	B	2.04	11⅜	2000	950-930	22.00	770	31
ı Air Lines	12.3	935	B	1.68	11½	1999	1,019-765	62.50	563	66
ı Air Lines	10.2	493	B	1.68	5	1992	550-400	20.00	180	174
ennsylvania	10.4	480	NR	1.00	5	1993	601-318	23.26	116	313
elephone & Electronics	8.0	623	BB	2.07	5	1992	730-520	22.18	593	5
nan Corp	10.0	1,105	BB	1.74	11	2000	1,105-1,035	24.47	594	86
Western Industries	5.1	1,080	B	2.25	5½	1993	1,095-730	48.80	878	23
	9.2	1,085	BB	3.67	10	2005	1,090-1,050	45.75	1,859	-42
rex	9.9	530	B	2.95	5¼	1990	663-385	7.02	110	383
dustries	12.0	915	B	3.02	11	2000	920-865	50.00	1,431	-36
n World Air	9.6	785	B	1.87	7½	1998	1,190-645	142.86	661	19
Industries	9.8	915	B	1.25	9	1995	988-799	50.63	759	20
ds Metals	6.6	686	B	3.53	4½	1991	755-575	16.91	545	26
n Lines	12.0	500	CCC	1.35	6	1994	600-400	36.36	209	139
Corp	4.6	1,415	BB	3.80	6½	2003	1,441-878	34.48	1,431	-21
World Air (Corp)	11.3	443	B	1.10	5	1994	620-365	18.52	252	75
World Air (Corp)	9.8	410	NR	1.10	4	1992	506-330	14.86	202	103
al	13.7	401	B	d0.46	5½	1996	540-335	39.41	143	181
Brands	10.8	510	B	1.73	5½	1994	573-410	18.18	241	112
aboratories	7.2	1,110	B	4.61	8	2005	1,110-1,038	38.62	1,395	-20
n Union	9.9	530	B	1.10	5¼	1997	600-450	15.15	318	67

lard & Poor's; FORBES d: deficit. NR: Not rated.

Bond funds—less than investment grade

Most of these open-end mutual funds have 45% or more of their portfolios invested in junk bonds. Diversification reduces risk, and the investor gains liquidity while losing little yield.

fund	% portfolio BB and under[1]	Yield	Net asset value	Total assets (millions)	Name of fund	% portfolio BB and under[1]	Yield	Net asset value	Total assets (millions)
en High Yield Invest	57%	11.0%	$10.61	$244	INA High Yield	58%	11.2%	$10.30	$ 54
n Investors Income[2]	49	9.7	12.14	13	Intercapital High Yield Sec	51	11.9	14.55	190
lor High Yield	75	11.5	10.71	57	Kemper High Yield	54	11.4	9.90	99
l High Yield Sec	66	11.0	7.97	32	Keystone B-4	39	9.8	7.40	362
d High-Income Sec	37	10.5	12.86	59	Merrill Lynch High Income	57	11.3	8.74	251
Aggressive Income[2]	58	13.0	8.77	97	Oppenheimer High Yield	77	12.0	20.71	109
eld Securities	84	11.3	10.26	112	Putnam High Yield Trust	69	10.9	16.38	252

st quarter 1980. [2]No-load fund.
pper Analytical Distributors Inc. FORBES

This announcement is not an offer to sell or a solicitation of an offer to buy any of these securities.
The offering is made only by the Prospectus.

NEW ISSUE

June 13, 1980

$150,000,000

GEORGIA-PACIFIC CORPORATION

10.10% NOTES DUE JUNE 15, 1990

PRICE 100%

plus accrued interest from June 15, 1980

Copies of the Prospectus may be obtained in any State in which this announcement is circulated only from such of the underwriters as are qualified to act as dealers in securities in such State.

Blyth Eastman Paine Webber
Incorporated

The First Boston Corporation | **Goldman, Sachs & Co.**

Merrill Lynch White Weld Capital Markets Group
Merrill Lynch, Pierce, Fenner & Smith Incorporated | **Salomon Brothers**

Bache Halsey Stuart Shields
Incorporated | **Bear, Stearns & Co.** | **Dillon, Read & Co. Inc.**

Donaldson, Lufkin & Jenrette
Securities Corporation | **Drexel Burnham Lambert**
Incorporated | **E. F. Hutton & Company Inc.**

Kidder, Peabody & Co.
Incorporated | **Lazard Frères & Co.** | **Lehman Brothers Kuhn Loeb**
Incorporated

L. F. Rothschild, Unterberg, Towbin | **Shearson Loeb Rhoades Inc.**

Smith Barney, Harris Upham & Co.
Incorporated | **Warburg Paribas Becker**
A. G. Becker

Wertheim & Co., Inc. | **Dean Witter Reynolds Inc.**

ond market has been a perilous place ast 12 months, but Fidelity Bank's fixed-ne investments have beaten the odds.

A model hat really works

ne Money Men

ER IN ITS HISTORY has the bond arket been as treacherous as in ese past 12 months. Between 1979 and mid-March 1980 some on in market value of corporate ernment bonds went up in U.S. interest rates climbed to nest levels. Then, in the sharp-ever, this once placid market about 85% to 90% of that loss weeks.

y a bond manager wasn't whip-ne of the rare exceptions was Minton Jr., vice president in the employee benefit fixed-in-vestments at Fidelity Bank in hia. His $42 million fund out-d every other fund of its type in n in 1977 and 1978.

the average return for such the three-year period ending in s been 5%, Fidelity's fund has mulative return of 16.4%. Dur-when most funds were losing showing near zero or negative Minton's fund finished the year althy 9.46% return.

st year Fidelity was 100% in equivalents when nearly every-buying long-term bonds at what ke bargain prices. Those bonds by traps. While nearly everyone locked into long- and medium-rities with heavy losses or was panic, Fidelity was reinvesting and then intermediate-term se-t low prices. Now it's fully in-long-term bonds, half in Ginnie and most of the balance in 15-0-year governments—all bought he bottom.

gives much of the credit for market timing to Lacy H. bank's chief economist. Hunt, e from Chase Econometrics in he creator and proprietor of the mputerized econometric mod-

Fidelity's Minton (left) and Hunt
Monetary policy's the only lever left.

el, which he uses to forecast interest rates. This is one model that really seems to work. Not perfectly, to be sure: It has given the right cues a bit prematurely at times, and an occasional wrong cue. Yet for the last three years its projections have been correct fairly consistently.

Says Hunt: "Our late March forecast indicated that interest rates were peaking and that they would decline steeply and soon. That forecast was confirmed rather quickly." That's something of an understatement. By the end of May interest rates fell from a high of 20% to around 14½%. "The rates dropped even more rapidly and by much greater magnitudes than we expected," he adds.

The structure of the Fidelity model clearly reflects Hunt's belief that monetary policy has a predominating influence on spending and inflation. "If you were to draw a spectrum," he says, "with Paul Samuelson at zero and Milton Friedman at 180 degrees, our model would be at 150 degrees. We assume that monetary acceleration leads to increases in spending and eventually to higher inflation. For example, monetary growth measured broadly [Hunt and Minton include repurchase agreements and 20% of money market mutual funds] was running 4% in 1975. Last year monetary growth was 10%—2½ times faster. We don't think it's any accident that the inflation rate went from 5% in 1976 to maybe close to 14% to 15% this year."

Hunt takes little joy in this situation. Monetary policy is the most important variable, not because it ought to be, but simply because it is the only lever the government is capable of pulling. The growth in government spending seems to be out of control. The trouble is the government isn't very good at controlling the money supply either. "Emphasis on monetary policy is a de facto admission of incompetence," he says, "but not just of fiscal policy. In many instances monetary policy has been just as inept. During 1977, 1978 and 1979 major errors in monetary policy were made, which allowed monetary growth to accelerate far too rapidly."

The trouble with making forecasts on the basis of historical relationships, both Hunt and Minton acknowledge, is that models can only predict a future precisely reproducing the past that's programmed into them. To try to deal with breakdowns in historical relationships resulting from unprecedented events like the oil embargo of 1974, they keep refining their model with all the gusto of teenagers tinkering with a hot rod. Often, for example, they use statistics from trade sources in addition to those published by government agencies. They also keep reevaluating all their assumptions. Says Hunt, "Models must be reexamined in the light of economic developments. We like to think of our approach here as something of a learning model." Adds Minton, "It's a little like calibrating the sight on a rifle. We're always striving to incorporate what we learned into our approach."

There will always be blind spots, of course. They could be something new like unprecedented credit control or a new instrument like a money market certificate. But they don't come along that often and historical monetary influences tend to predominate over time.

Having good information is one thing. Putting it to effective use is something else again. Minton says that Hunt keeps him hopping in this respect: "If that thing [the model] changes the interest-rate forecast, I damn well better be able to react fairly quickly with the portfolio." Reacting quickly requires more high-speed data processing. For Minton, it was a little like learning to drive at the Indy 500. Because even with a model helping you to determine tomorrow's bond prices and yields, there are literally

The Gas Option

Gas: Clean energy from solid waste.

Methane produced naturally by the decay of municipal solid waste can be recovered and converted into pipeline quality gas. It's economical energy produced near urban centers with the environmental benefit of utilizing gases which would otherwise escape into the atmosphere.

• Today, two biogas projects in the Los Angeles, California area are recovering enough methane gas from landfills to supply over 12,000 homes served by the Southern California Gas Company. These landfills have the capacity to more than double their current output.

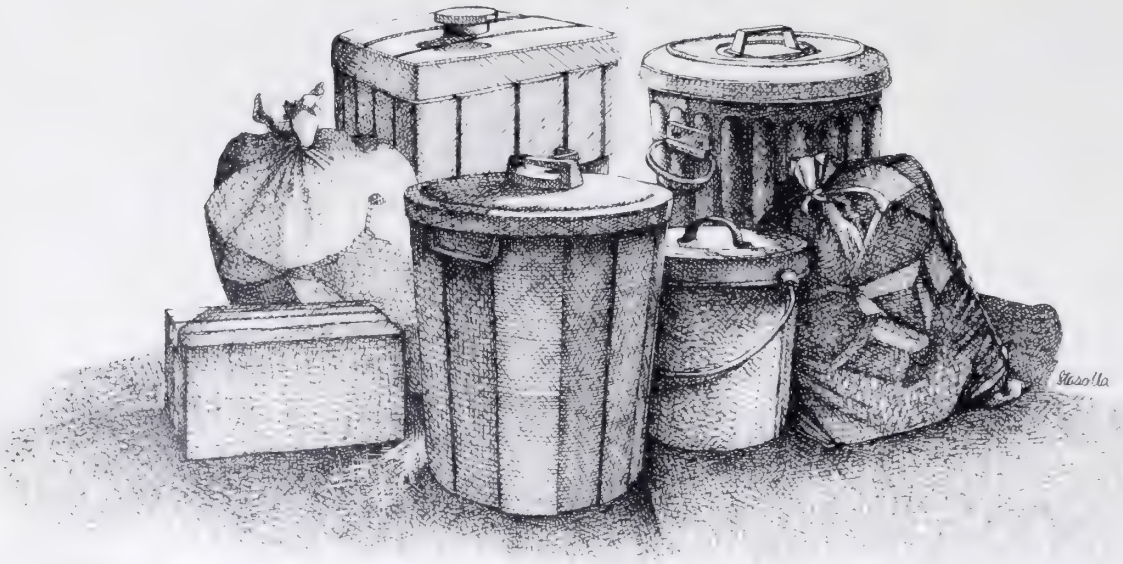
• Another biogas project is being operated in northern California by the Pacific Gas & Electric Company and is expected to expand its output substantially in the next two years.

• On Staten Island, New York, preliminary field tests are now being conducted on a 400-acre portion of a 3,000-acre fill. By early 1982, this project should provide enough gas energy to heat 16,000 homes served by The Brooklyn Union Gas Company.

This new technology for producing high or medium Btu methane is being developed or operating at more than a dozen locations throughout the United States, and many more projects are planned. By 1990, they could be supplying gas for up to 2.1 million American households annually.

Other ways to recover methane from solar and renewable sources are being developed as well from animal waste, sewage and biomass. New technologies such as these will make an important contribution to our country's gas supplies. And additional sources like Alaskan gas, gas made from coal, gas from tight sands and geopressured methane reserves can mean gas for generations to come.

As America moves to lessen its dependence on foreign oil by fully developing its domestic energy sources, the advantages of gas become even more significant. Clean, efficient, economical and dependable gas energy is one option we cannot afford to ignore.



Gas: The future belongs to the efficient.

For more information, write to the American Gas Association, Dept. 22-DD 1515 Wilson Boulevard, Arlington, Va. 22209 ©A.G.A. 1980

ands of different bonds to choose
o structure a portfolio. Says Min-
We developed a number of portfolio
gement models: basically computer
ms that converted interest-rate
sts into an expected total return
given portfolio]." Then it was a
r of comparing portfolios and con-
g to the one that produced the best
ed total return. For example, Fidel-
innie Maes could be replaced with
erm bonds.

ton goes on: "It was difficult to
portfolio models while managing
lios at the same time. So the effort
be packed into nights and week-
because it wouldn't do us any good
e until 1981 to finish this. The
t wasn't waiting for us."

re were moments when the inter-
e forecasting model and Minton's
ed total return formulas recom-
d some really off-the-wall invest-
. For example, during the first
r of 1977, when most active man-
vere fully invested, Fidelity's mod-
them to get out of the bond mar-
ntirely. Suppose the model was
this time? Radical as that forecast
Minton's boss, Paul Wilson, never
oned what his hotshots proposed,
e performance speaks for itself.

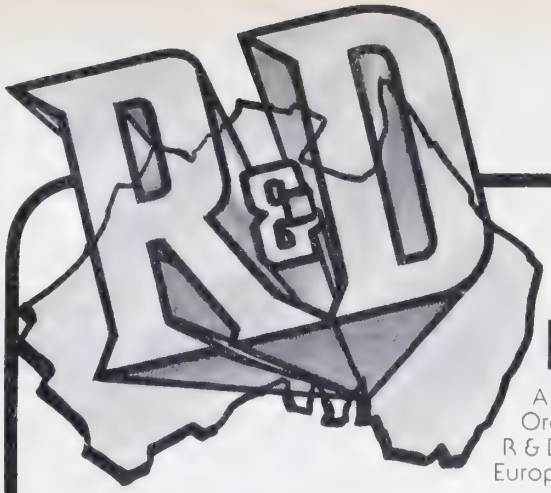
rently Hunt is predicting further
es in interest rates, perhaps into
rly part of 1981. Short-term money
t rates, he feels, could be another
-200 basis points lower, down to
6.5%. Long-term government
perhaps another 30 or 50 lower to
%. The prime rate down to 10% or
%. It's nearly there now; at some
it was down to 12% by mid-June.

n though he thinks the bond mar-
lly has a good deal further to go,
n is sticking with quality for the
nt, which means federal or federal-
ranteed. Says he: "If around Labor
he rally hasn't been stopped be-
of tax cuts, inflationary shocks or
onetary policy, then there will be
portunity to sell long governments
y long corporates."

ton believes his model ought to be
adapt to any foreseeable future.
e has to be a way to reasonably
t interest rates," says Minton,
ise you're always doing that when
buying a bond except you're doing
wards."

about common stocks? Says
"We're developing equations to do
but they're far too rudimentary
We'll have to look at individual
ries and estimate key factors like
, costs and other sensitive eco-
indicators."

that will be a lot tougher than
sting interest rates.—*Steven Flax*



Research and Development

A Contract Research Organisation with extensive R & D experience covering U.S.A. Europe and Japan.

- Electrostatic Process Development
- Prototype Equipment Development
- Graphic Arts
- Reprography
- Development of Specialised Liquid & Dry Electrostatic Toners
- Encapsulated Toners
- Single component magnetic toners
- Liquid toners for PPC, Dielectric and Electrofax copiers
- Liquid Color Toners for Reprographic Processes

Manufacturing and quality control of above products can be arranged.

For additional information contact:

The Managing Director,
Research Laboratories of Australia Pty. Limited
210 Greenhill Road, Eastwood,
South Australia 5063.
Phone: (08) 272 5744
Telex: AA 82705

HIGH BLOOD PRESSURE IS HELPING TO KILL ONE-SEVENTH OF AMERICA'S ADULTS. AND THEY DON'T EVEN KNOW IT.

Every year, hundreds of thousands of Americans die needlessly from heart disease, strokes and kidney failure. Many more are crippled for life. They didn't know they had High Blood Pressure.

It strikes like a time bomb. The victim feels fine, but all the while the time bomb is ticking away. And then, suddenly, it explodes.

But treating High Blood Pressure is usually as simple as taking a pill every day. And you can lead a longer, healthier life.

So when you finish reading this, see a doctor or visit a clinic.

Because, it's a lot better to know if you have High Blood Pressure than to die from ignorance.

HIGH BLOOD PRESSURE.
Treat it...and live.

The National High Blood Pressure Education Program, U.S. Department of Health, Education, and Welfare.

A Public Service of this Magazine & The Advertising Council

Anyone who thinks television has to appeal to everybody should ta a good, long look at the big money that religious broadcasters a getting from a small segment of the television audience.

The electronic pulpit

By Allan Sloan
with Anne Bagamery

THE SCENE IS A CABLE television convention in Dallas, filled with convention-type attractions. On the exhibit floor, in hot pants, members of the Dallas Cowboys cheerleading squad autograph posters. Las Vegas showgirls perch on stools, promoting a new cable service. At a third booth, a big poster proclaims, "SIN Pays."

And there, half a dozen steps from the booth of SIN—the Spanish International Network—sits Bill Miller in the Trinity Broadcasting Network booth, which is bedecked with religious pictures. What's a nice born-again Christian boy doing in a place like that? "These other people are here selling their product," says the young (20), curly-haired Miller. "We're here for *our* purpose, selling the gospel." Miller's product is a round-the-clock lineup of evangelical Christian television shows, beamed from Trinity's studios near Los Angeles to RCA's Satcom satellite, which broadcasts the shows to cable systems throughout the country. Miller's booth is just a small part of Trinity's marketing. Trinity, a fast-growing $20 million (revenues) operation, is so hungry for outlets it even offers some cable operators free equipment to take its programs. A sizable cable system willing to devote a full-time channel to Trinity's programs can get Trinity to give it an earth station capable of receiving satellite transmissions—a $10,000 package the operator can also use to pick up Home Box Office. Trinity owns TV stations in the Los Angeles and Phoenix markets, recently closed a $10 million deal to buy a Miami station from another evangelical operation, has a license to build a new station in Oklahoma City and is seeking licenses in the hot Houston, Denver and Seattle markets. It's financing the Miami station with a loan from a Japanese bank, and paid the Outlet Co. almost $50,000 (to cover Outlet's expenses) to get it to drop its competing Oklahoma City bid.

If deals like these strike you as unusual behavior for a religious corporation, you are not hep to what modern technology is doing to Old-Time Religion. The same communications satellites that turned marginal cable television systems into gold mines and threaten to make Ted Turner a household name have transformed evangelical television from an obscure Sunday phenomenon into a hot new medium.

Trinity Broadcasting's Bill Miller at cable TV convention
Like everyone else, selling a product—the gospel.

Consider these numbers: One evangelical TV show, the Christian Broadcasting Network's *700 Club*, reaches cable TV systems with 8 million subscribers—more cabled homes than Home Box Office reaches. *The 700 Club* is also carried on 150 television stations, almost as many as are affiliated with ABC. *The 700 Club*'s major religious rival, the Television Network's *PTL Club*, reach million cabled homes and is carrie 235 TV stations, more than are affil with CBS. Even Trinity's *Praise The* program, a distant number three in gious show biz, reaches 2.5 million bled homes—more than Showti HBO's biggest rival.

Unlike familiar TV preachers, started their careers in revival tents gradually migrated to television, the electronic evangelists are creature television, with a style owes more to Johnny Ca than Billy Graham. T biggest draw is the relig talk show, not flat-out pu pounding. They're M hanesque "cool" perform at home on the cool med of television. They d shout at you. They cajole

Evangelical televi comprises religious progr using bought time, as posed to conventional gious programs that ap on "public service" t donated by TV stations. evangelists grossed $600 lion last year. That's do what it was two years and 12 times the level of years ago. The three relig TV networks—CBN, PTL and Trini last year grossed $140 million, comp with almost nothing five years ago. ready, CBN and PTL have pulled ahea Billy Graham, whose programs been around for 25 years and gro about $30 million last year; CBN gro $70 million and PTL, $53 million.

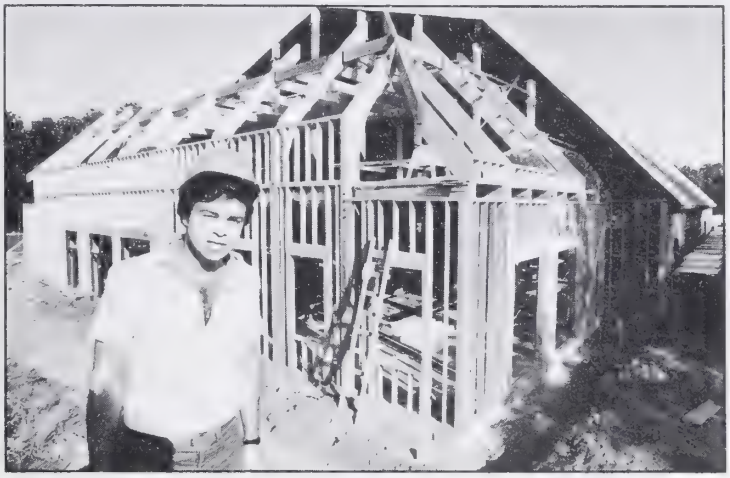
Evangelists on the tube are draw such big bucks that the United Meth ist Church, which for years scorned evangelists as upstarts, recently vote raise $25 million to buy a TV stat The U.S. Catholic Conference is ducting a feasibility study of the us

e TV. But while the conventional, l religious types wrestle with onsciences over the use of show-chniques, the evangelists have l away with a good part of the ial audience.

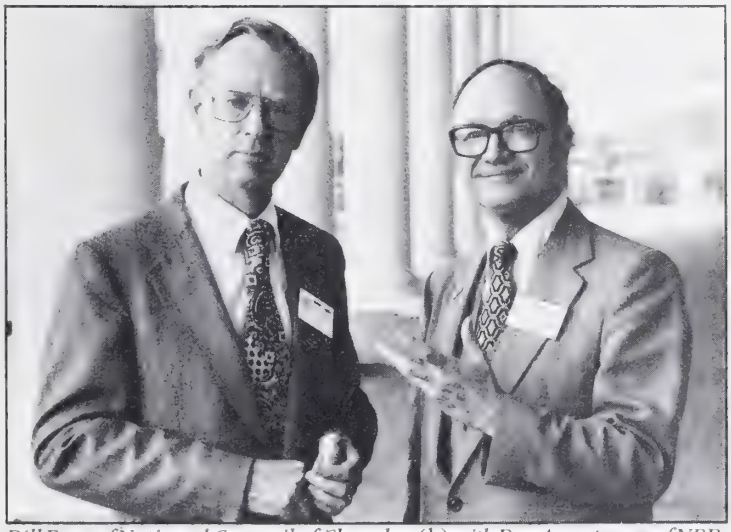
e's nothing unusual about raising in the name of God—synagogues dues and charge admission fees to Holy Day services, churches pass ion plates, Mormons are expected e. There's nothing new about elec- religion, either. A Christian TV vas on the air as early as 1949, and men have developed sive electronic con- cies. Remember Fa- Coughlin, the "radio from Royal Oak, Remember Bishop J. Sheen? What is dif- about today's electron- angelism—which, by y, is an almost exclu- Protestant phenom- is the scope of it. Rev- s in satellite technolo- breakthroughs in ter applications and vent of cable TV sys- and new over-the-air s are turning the U.S. global village and mak- economical to "nar- t" to a relative hand- supporters. So what if eryone wants to watch ous program? So what could never attract a part of the prime-time ce with one? With 0-channel cable sys- ooming and new UHF s coming on the air, e magazines, can now to specialized audi- If you are selling soap, ewer is pretty much nother; he or she can nly so much of your t. But with religious asting, the *quality* of udience counts, the of dedication and sity, that is.

giously oriented TV s number 30 today, up from 18 ars ago. They get most of their from fundraising telethons and airtime to religious programmers. rogrammers, in turn, pay for the by raising money from viewers. g as a program pulls in more view- ars than it costs to buy airtime, no res about its ratings. "If you're a us station, you don't have to go to D and say, 'Here's my 5 rating, put air spray on my station,'" says mfield, a Ft. Worth media consul- hose firm, Business Communica- Inc., works for both secular and evangelical broadcasters.

The growth of narrowcasting—the growing segmentation of the TV audience—has created a gold rush for possession of UHF channels that were, until fairly recently, about as desirable as a 3 a.m. advertising slot. In many major markets—Seattle, Denver, Houston, Tampa Bay, Baltimore, Washington, San Antonio, St. Louis, Minneapolis, Detroit and Portland, Ore.—religious broadcasters are slugging it out with minority broadcasters, subscription TV companies or both in bitterly contested FCC license proceedings that may go on for years. Although the religious broadcasters believe God is on their side, they are not waiting for divine intervention to move the FCC. Instead, they hire people like James Gammon, a Washington attorney whose firm of Gammon & Grange makes a specialty of handling religious broadcasters in FCC license hearings. Gammon, a born-again charismatic Catholic whose firm holds prayer meetings every morning, doesn't advise clients to turn the other cheek. "The facts of life are that if you file for a CP [construction permit] for a Christian station, someone else will file," he says. "If someone comes to us with a little Christian shawl on his head and isn't ready to fight, my firm doesn't take him on."



Jim Bakker and unfinished auditorium on PTL's campground
Grandiose plans—but where will the money come from?



Bill Fore of National Council of Churches (l.) with Ben Armstrong of NRB
While churches ponder TV, evangelicals grab the viewers.

Gammon is part of the growing "old boy" network in evangelical broadcasting that encompasses radio as well as television. There are Christian-oriented advertising agencies and program producers, equipment suppliers that give discounts to religious stations and even people like Ray and Ann Kassis of Cocoa, Fla., who have rented a channel on RCA's new satellite and sell time at discount rates to religious broadcasters who can't get time on one of the three religious networks' channels. There are consultants like Steve Kovach, owner of Christian World Inc. of Ft. Lauderdale. For a fee, Kovach advises secular media owners—most of whom are interested in making money, not spreading the gospel—on how to go religious.

Evangelical television comes in two brands—pure and sugarcoated. The pure brand, as espoused by Trinity Broadcasting, is all-religious programs. The sugarcoated brand is exemplified by the four stations owned by Christian Broadcasting Network. This CBS of religious show biz mixes family-oriented shows like reruns of *Leave It to Beaver* and *I Love Lucy* with religious programs like *The 700 Club* or Oral Roberts. The idea is to use *Lucy* and *Beaver* to build an audience for religious shows—and Arbitron figures indicate that those programs are far more popular than the religious ones. A well-run religious station can sell enough commercials on its family shows to make a tidy profit. CBN brags that its Dallas station, acquired as a gift from Doubleday & Co. in 1973 (Doubleday took a $2.3 million charitable donation), is "a money machine."

Listen to Keith Houser, who's putting the final touches on Channel 54 in Poughkeepsie, N.Y. and plans to go on the air in September with a family-religious format. "We'll have no ads for alcoholic beverages, no four-letter words, no spots for feminine douches," he says. Houser says 54 will carry variety shows like the Osmonds', Paul Harvey's news program and three hours or so a day of high-caliber religious broadcasting like *The 700 Club*. Even though New York is a bad market for religious broadcasting—

"No evangelist has ever made his budget in New York, it's considered a 'missionary market,'" Houser says—he has no fear. Narrowcasting economics, he says, will make it possible for his investors—all born-again Christians—to make a return on their money. To spread the gospel, Houser says, the station will give religious broadcasters a price break on the airtime they buy on 54.

By one of those infuriating ironies that make human events so difficult to predict, their enemies' actions allowed the evangelical preachers to dominate TV religion. In the early 1940s the infant TV networks asked the National Council of Churches—then the ultrarespectable citadel of Protestantism but now left-leaning—to parcel out the free public service airtime allocated to Protestant churches. Looking down its nose, the council locked the evangelical preachers right out of free TV. The evangelists founded a trade association, National Religious Broadcasters, and went out and scrounged. Evangelists had to buy their own stations and claw their way into as many markets as possible. Lacking free airtime, they had to develop effective techniques to draw viewers and make money. That forced them to evolve along the lines of commercial TV: lavish sets, simplistic messages repeated over and over, personality cults. Today "liberal" ministers often preach to nearly empty churches, while the evangelicals draw huge audiences tubeside.

"We're modern, New World, free-enterprise religion," says Ben Armstrong, the articulate executive director of National Religious Broadcasters. "The guys in the Godbox [the National Council of Churches' headquarters] are Old World religion, where you take what you're given. We compete. The reason we take so much flak is that this competition flies in the face of what religion is supposed to be. Churches are supposed to be noncompetitive. We're all supposed to love each other. That's Old World thinking."

"The new electronic church may be good television, but it's not good religion," grouses Bill Fore, the National Council of Churches' director of communication. He claims evangelical TV shows keep people out of their local churches, where they can get real religion. "TV preachers aren't real ministers," says Fore. "They can't marry your children or bury your dead."

But Armstrong is flying high these days, and the people in the Godbox are worried. They weren't much worried in 1965 when Jim Bakker—who later helped found Trinity and develop PTL—appeared on a fundraising telethon in Portsmouth, Va. and cried. The telethon was the last gasp of Christian Broadcasting Network, which was nearing bankruptcy. CBN's patrician founder, M.G. (Pat) Robertson, had left the telethon in despair *(see box, p. 123)*. So effective was Bakker's emotional plea that pledges flooded in and saved CBN.

But that was long ago and things have changed. Let's go to Charlotte, N.C., where *The PTL Club* is taping one of its two-hour shows. Everything is color a tasteful shade of blue. On the set, h Jim and Tammy Bakker (pronounce ker) are sitting behind a desk, interv ing a group of people sitting on cl and sofas. On Bakker's right is the phone "prayer line," fully manned fore the show, the warm-up men whi the audience, appealing to them to l their neighbors and say hello. Ther little psalm-singing. An the red light goes on, warm-up men urge the a ence to applaud, which do on cue throughout program.

The production is slick professional. The only you can tell it from a re TV show is that Jesus' n is invoked frequently, the guests talk about the ligious experiences r than their latest books. prayer line's phone nu is frequently flashed on screen. Toward the en the second hour, Bakke comes more emotional, ing over a stack of fille forms in which people told of their being born a and having cures they a bute to God's power. T are a few "hallelujahs" "Praise Jesuses" from th dience, and the show Bakker comes to stage ter, thanks the audienc coming, attacks the (which is probing allegat he used money earma for foreign mission activ to pay local bills during nancial crunch at PTL years ago) and urges the a ence to donate to help plete the studio at P problem-plagued statio Canton, Ohio. Bakker le the show is over, and a sion goes out of the roon

This session of *The Club* is pretty much like evangelical TV shows. message is simple: J loves you, the nation's m fiber is slipping, give heart to Jesus and he'll you what you want. Th little mention of other aspects of C tianity: giving to the poor, self-de modesty, being considerate of ot The simple message repeated over over is perfect television and comfo to the listeners. The guilt, the obligat of Christianity are muted; only the sage of hope and personal salvatio left. Ask not what you can do for religion; ask rather what your reli can do for you.

Deus ex machina

If you call The PTL Club's prayer line and talk to someone, you not only get solace and biblical quotations, but you also get your name entered in PTL's computerized mailing list. This is one of the forms prayer line volunteers use when they answer calls. You pay your own nickel when you call the prayer line. The fundraising number is toll-free.

PTL CLUB

1.0387

Prayer Request

Counselor _____

Ph # _____ Date _____

FOR OFFICE USE ONLY

Partner # _____
Trans _____
Cash $ _____
Cash CD _____
Pldg _____
Promo _____ PO
Appeal _____
Gift CD _____
Tot Qty _____
Shp Qty _____
Ack CD _____
Member CD _____
Address CD _____

COUNSELOR: PLEASE PRAY FOR EACH PERSON INDIVIDUALLY, lifting up JESUS and claiming the promises of GOD with the person calling.

PRAYER FOR A: ☐Man ☐Woman ☐Boy ☐Girl ☐Family ☐Self

☐Alcohol	☐Doubts	☐Insomnia
☐Anxiety	☐Drugs	☐Job
☐Arthritis	☐Ear Trouble	☐Kidney Ailment
☐Asthma	☐Eye Trouble	☐Marital Problems
☐Back Problems	☐Family Troubles	☐Nervousness
☐Baptism of Holy Spirit	☐Fear	☐Occult, Spiritualism
☐Bone Fracture	☐Female Problems	☐Pain
☐Cancer	☐Financial Problems	☐Smoking
☐Closer Walk With God	☐Financial Help	☐Stomach
☐Cold	☐Flu	☐To be Saved
☐Colon	☐Guidance in a Problem	☐Traveling Mercies
☐Depression	☐Hemorrhoids	☐Ulcer
☐Diabetes	☐Heart Trouble	☐Weakness
☐Disbelief	☐High Blood Pressure	☐Other _____
☐Discouragement	☐Infection	

Do you currently receive mail from PTL? ☐Yes ☐No Would you like to? ☐Yes ☐No

MR MRS MISS REV OTHER PLEASE PRINT

First Middle Last

Street Address or Box Number

City State Zip Code

PHONE _____ AGE _____

CHANNEL you are watching? _____ Is this a CABLE STATION? ☐Yes ☐No

May 24, 1883: the spectacular Brooklyn Bridge opens. And engineers call it: "The Eighth Wonder of the World."

The Roeblings and the Brooklyn Bridge. It's time for a new age to begin.

John A. Roebling

Washington Roebling

When the Brooklyn Bridge opened in 1883, our nation celebrated. The world's first modern suspension span was up. And remains today a monument to Roebling ingenuity.

Throughout history, America's great building projects have contributed to the growth and prosperity of our country. America's bridges now need help in a big way. One out of five is obsolete or structurally deficient. The time has come for us to rehabilitate them or build new ones. And the sooner we act, the less costly it's going to be.

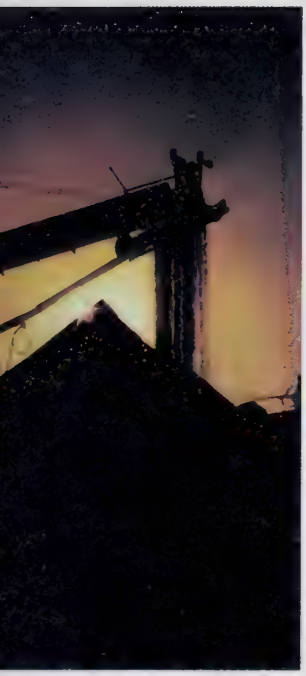
Lone Star is America's leading cement company. We're also one of the biggest and most successful suppliers of aggregate and ready-mix concrete for construction. Lone Star Industries, Inc., One Greenwich Plaza, Greenwich, Conn. 06830. **A great American builder.**

LONESTAR

The right mix at the right time

We've made a record commitment to exploration.
We've budgeted a record $85 million in 1980 to find and tap new reserves of natural gas and oil. We're drilling, by ourselves and with other energy explorers, over 100 new wells on a million acres of leases in the southwestern and Rocky Mountain states and offshore in the Gulf of Mexico.

INTER



earing up coal boom.
ır Western coal gains ce as an energy source. art-up position last year, o market nearly a ns of coal next year mines in Colorado. Coal Company has 340 ns under lease.

We've gone to sea.
Northern Arrow and Northern Eagle I, our two new ocean-going L.P.G. tankers, completed gas trials in Norway and are now operating in world-wide trading. Each has a 20-million-gallon capacity. Domestically, we're extending our capacity to produce propane, ethane and other liquid fuels as demand for them rises under pressure of escalating prices of imported oil.

Conversion to natural gas accelerates, and we're ready.
Northern Natural Gas Company, through its utility customers, is ready to meet the demands of business and homeowner conversion to natural gas for heating and other purposes. In the mid-80s we look forward to drawing on the 3½ trillion cubic feet of natural gas we have under contract on the North Slope of Alaska.

Our new cellophane substitute takes less energy to produce.
Industry is searching for a cellophane substitute which takes less energy to produce and causes less pollution in the process. Northern Petrochemical Company is adding another plant to meet that need. It will produce from 15 million to 20 million pounds a year of biaxially oriented polypropylene film — a stiff, sturdy, clear film to replace cellophane in some areas of the packaging industry.

InterNorth is positioned across a wide spectrum of the energy front. Our strong base in natural gas provides stability, a dependable financial foundation for other profitable ventures in some of the most promising areas of the energy field. That's the right mix at the right time.

For further information call: Roy A. Meierhenry, Vice President and Treasurer, 402-348-4937

ORTH

Northern Natural Gas Company ▪ Peoples Natural Gas
Northern Liquid Fuels Company ▪ Northern Petrochemical Company
Nortex Gas & Oil Company ▪ Northern Coal Company
Home Office: Omaha, Nebraska

CATCH THE STARS' GREATEST HITS!

Tuesday, July 8 at 8:25 PM, Eastern time.

That night the baseball diamond at Dodger Stadium in Los Angeles will sparkle—as the fans' top choices in both leagues meet for the 52nd annual All-Star Game.

And CBS Radio takes you out to the ballgame with a couple of All-Stars of our own—Vin Scully, who'll do the play-by-play, and Brent Musburger, for pre- and post-game coverage and color.

So don't miss the big night, with CBS Radio. It's all part of our exciting year-round coverage of your favorite sports.

THE ALL-STAR GAME TUESDAY, JULY 8, 8:25 PM* ON THE CBS RADIO NETWORK

*8:25 EASTERN, 7:25 PM CENTRAL, 6:25 PM MOUNTAIN, 5:25 PM PACIFIC

lthough the evangelicals' message ple, there's nothing simple about ay they raise money. On-air are just part of it. The biggest mes from direct mail follow-ups ophisticated computerized tech- that grow more effective as com- ime grows cheaper. Anyone who on the "prayer line" or asks for "love offering" has his name put into the computer, which spews out personalized fundraising mailings and tailors subsequent mailings to the results of the initial ones. Anyone who doesn't contribute fairly quickly is dropped.

What happens to all the money? The major piece of it goes for television time and fundraising expenses. Quite a bit goes into plant and equipment like TV facilities and buildings. Some, obviously,

Turning the other channel

Pat Robertson in control room in Virginia Beach

p.m. in Virginia Beach. A tall, man in a gray three-piece suit es his elegant office and walks 100 s across a parking lot to a small building. Overshadowing the ling are two enormous satellite n-station dishes. The man flicks a ch on a control panel and settles *The PTL Club* logo leaps to 1 of 16 ision screens.

his is one time that M.G. (Pat) rtson, president of Christian dcasting Network, is doing pre- y what he claims he doesn't have o: keeping tabs on the competi- By turning channels tuned to 's Satcom satellite, Robertson pick up the rival PTL Television work's *PTL Club* show from Char- , N.C. and Trinity Broadcasting's *e The Lord* show from Tustin, Cal- oth look a lot like Robertson's *700* program—*The PTL Club* even has same Williamsburg-style furni- There's a reason for the similar- Jim Bakker, who started out as rtson's co-host on *The 700 Club* e early Sixties, went on to help d Trinity and develop PTL and is Robertson's biggest religious petitor for airtime and saved s. Robertson publicly embraces er as a "brother in the ministry." ately, however, Robertson's asso- s accuse Bakker of stealing *The Club* format and trying to under- him while both were trying to nd the show's market. Bakker, in turn, calls Robertson a "wonderful man," at least in public.

Robertson and Bakker started *The 700 Club* in 1963 in the seedy studios of station WYAH (from a transliteration of the Old Testament Yahweh, the ineffable name of God) in Portsmouth, Va. Robertson's CBN colleagues claim Pat thought up the format, a sort of evangelical *Tonight* show, which is now the model for the most successful Christian shows. Bakker's associates at PTL say it was *his* idea and he took it with him to Trinity and PTL. When *The 700 Club*, now on more solid financial ground, began syndication in 1971 from rented studios in Charlotte, Robertson accused Bakker of attempting to take over the operation. Bakker left CBN for California. Shortly afterward, people with hatchets destroyed the set in Portsmouth where Bakker and his wife, Tammy, taped a children's puppet show for CBN. "That hurt me," Bakker says. He says he left CBN because "Jesus told me to move on," and says he knows Robertson wasn't responsible for having his set axed. Robertson says the hatchet incident is "all but forgotten," but admits he and Bakker weren't on good business terms until this spring, when Robertson asked Bakker to plug a CBN-sponsored Christian rally in Washington on *The PTL Club*. Religious broadcasters, it seems, aren't very good at turning the other cheek.—*A.B.*

THE BIGGEST BANK KNOWS TAIWAN BEST

We are Taiwan's biggest and most experienced bank with branches in every Taiwan population center and correspondents in many major cities of the world. When it comes to banking and finance, we know Taiwan best. And we are always in a position to help, regardless of how small the need of our clients may be.

BANK OF TAIWAN
P.O. Box 305, Taipei, 100,
Taiwan, Republic of China
Cable: TAIWANBANK, TAIPEI
Phone: 371-9111, 371-7171
Telex: TP11201, TP11202
Chairman: S. C. Liu
President: Wilson C. P. Yen

EXPLORATION
Brock
CORPORATION

PROFESSIONAL PETROLEUM EXPLORATION

NEW ORLEANS, LA
MAIN OFFICE
231 CARONDELET ST./5TH FLOOR
NEW ORLEANS, LOUISIANA 70130

OKLAHOMA CITY, OK

goes to the evangelists themselves. Over the years, regulators have tried to force some major evangelists to disclose more, and have opened investigations of them. Jerry Falwell and Rex Humbard have been investigated by the SEC. The SEC also forced Christian Broadcasting Network to make financial disclosures to some of its follower-lenders, and the Massachusetts Attorney General sued to get CBN to register as a Massachusetts charity because it owned a not-for-profit TV station in Boston. CBN has since transferred the station to a for-profit subsidiary based in Virginia.

A lot of evangelists live nicely. Rex Humbard and his two sons recently managed a $175,000 down payment on $650,000 worth of Florida real estate, not long after he was pleading for donations to pull his Cathedral of Tomorrow out of debt. Most of the big-time religious show-biz types are more professional managers than pastors. Take Jim Bakker. He and his wife, Tammy, draw $75,000 in salary between them, and their expense allowance raises the take to about $100,000. They live, rent free, in a lavish house provided by a PTL supporter, and they drive cars PTL owns. PTL buys the fancy suits Bakker uses on his show, employs his brother and sister and gives his parents rent-free quarters. Bakker is not making poverty wages, to be sure, but he has never taken a vow of poverty. What he's making isn't unreasonable for someone who has helped build PTL into a $53 million (revenues) business. It's no more than a good many fairly ordinary doctors, lawyers and midlevel business executives make these days.

And in a way Bakker and his brethren *are* business executives. If a market does not meet its overhead, out it goes, regardless of how many souls may be being saved. What financial value does CBN impute to a "saved soul"? "Let's face it," says CBN President Pat Robertson, "we have to save souls, and to do that, we have to stay on the air, and to do *that*, we have to pay bills."

The evangelists say the shows justify themselves, because they are a public profession of faith in Jesus and are spreading the gospel. It's true that some people have been helped by being able to pick up a phone and call someone on a show's prayer line—evangelists claim to have averted thousands of suicides. And anyone who offers TV viewers a diet of old, innuendo-free sitcoms as an alternative to current network soft porn cannot be all bad.

But many evangelists are using their shows, financed with tax-deductible contributions, not only to preach the gospel but to promote politicians and political causes. In April hundreds of thousands of the evangelicals' followers descended on the Capitol for "Washington for Jesus Day." In some places evangelical Christians have become a substantial political force. This bothers some critics but, then, you could make the case that church-based ministers who use their tax-sheltered pulpits to attack multinational corporations and nuclear power are doing the same thing, but aren't as good at it.

Exactly how big is the audience for religious TV? Because the national TV rating services do not rate cable, and cable is a big component of TV evangelism, it's impossible to say how many people watch the shows. Arbitron's ratings give *The PTL Club* and *The 700 C* rating of less than 1% each of th tion's households, excluding cable scribers. The biggest draw of any s cated religious program, Arbitron sa Oral Roberts with a 2% market s That compares with a 41% audi share for *Dallas* or 25% for *Charlie gels.* By any yardstick, the evang preachers have tapped only a small of the total TV market. Good sales that they are, the evangelical prea regard this as an opportunity rather a problem—look at all souls out there to be s all those contributors tapped.

The TV evangelists grandiose dreams of con ing their expon growth. CBN projects a $2 billion (revenues) nization in the 1990s. expects its gross to d from $50 million this y $100 million in fiscal But they're overlooking thing. Until now the gr of the religious netw (and some of the indiv evangelists whose s they distribute) has largely from the fact they were reaching unta markets. Roger Flessir PTL estimates that recent additions to its work outlets, PTL s now reach 96% of th homes in the U.S. Not r room for growth there continue increasing e entially, then, the reli networks will have to market share from othe not just continue to markets. "We'll be able that, because we will prove our marketing an grade the stations we're Flessing says.

Perhaps. But meanw the television evang may be committing the sic error of spending tod the basis of the exponen rising income they expe morrow. PTL, which two years ag off 10% of its staff because of a cash problem, is promoting a grandiose C tian campground on 1,400 wooded in South Carolina, 12 miles fro headquarters. CBN is planning a u sity, a magazine and other large pro none of which seems self-funding. ity is taking on a big debt load and mitting itself to substantial startu penses for its new stations. Perhap evangelists of the electronic ch should remember what the Scri says: Pride goeth before a fall. ■

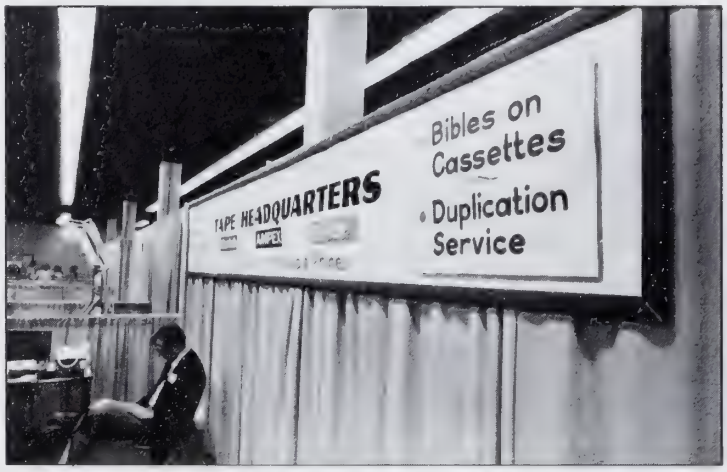


Exhibit booth at religious communications convention in Nashville
A born-again "old boy" network.

The radio connection

Religion is even more pervasive in radio than in television. Says Steve Kovach of Christian World Inc.: "The electric church is probably the salvation of the small-time AM radio station." Out of 4,600 AM stations in the U.S., more than 500—one in nine—devote themselves chiefly to religious broadcasting. Religion has also claimed 280 of the nation's 5,200 FM stations. About half of the religious stations are commercial (the rest are nonprofit educational), and some of them went through several format changes before clicking with religion. Market segmentation in radio is much more developed than in television, where there are far fewer outlets. In some markets, religious radio is so entrenched that it's becoming specialized. In Ft. Lauderdale, for instance, there are five religious radio stations, ranging from lots-of-sermons-and-religious-music to contemporary soft-rock. "The only thing you probably won't see is real progressive rock with religion," says Kovach. "You can't mix Pink Floyd with Jerry Falwell."—A.S.

/illiam Bray, managing director Europe, tells how A&A works from a client's point of view:

"We coordinate multinational risk planning so clients have uniformity without overspending."

"To put together a worldwide rogram for multinationals, we ust first understand their corpo-te philosophy. Our international pecialists and loss control people en visit all of the major client tes, gathering data through vari-us risk analysis techniques. After viewing and analyzing the data, e put together the most imagina-ve program we can conceive—ne that matches our client's nilosophy and complies with rying local tariffs and legislation. y properly coordinating and anning multinational programs, e can help avoid errors, duplications and omissions—thus providing uniformity of worldwide coverage with maximum cost effectiveness. We have skilled multilingual personnel in 36 countries, assuring the same level of service around the globe that we provide in the United States."

Working from a client's point of view is our way. In London, where Bill Bray is based. And in over 110 cities here and overseas. That means working as allies, solving business problems together. Our international network does the painstaking field work that enables multinational clients to coordinate their far-flung risk management and benefits planning into a cohesive, more cost-efficient package.

We think our dedication to acting as an ally of the clients we represent is a big reason why A&A has become a worldwide leader in the insurance brokerage and financial services business. We have the facilities, expertise and strength to act as effective allies. We work from the client's point of view, whether the corporation is large or small.

Alexander & Alexander

The Spanish people are learning that democracy has obligations well as privileges. The question is, Are they willing to pay the price?

The price of freedom

By Lawrence Minard

OVERNIGHT AND WITH HARDLY a drop of blood spilled, Spain has moved forcefully into the 20th-century's Free World camp. It was just 18 months ago that the country's 38 million long-suffering citizens—led by young King Juan Carlos de Borbón y Borbón and his contemporary, Prime Minister Adolfo Suárez—stunned the world and themselves by overwhelmingly adopting a liberal democratic constitution that turned Spain's back on centuries of political repression and near-feudal privilege, most recently under Generalísimo Francisco Franco and his ham-fisted Falangists.

Politically it is an impressive showing. Economically, however, post-Franco Spain is a shambles. Preoccupied with such politically delicate problems as reconciling the army with the Communists, the Basque and Catalonian regionalists with the Madrid centralists, Spain's young democrats have paid little attention to economic problems that could snuff out the life of their still-fragile political achievement. A few signs of neglect:

- Average national unemployment, which rarely exceeded 5% during the Sixties and early Seventies, is well over 10%—the highest in Europe—and heading for 12%. Among Spanish workers under 25, the rate stands around 25%. Among workers in the industrialized Basque provinces, unemployment is nearly 15%, further fanning the flames of that region's already serious terrorist problem *(see box, p. 132)*. Meanwhile, inflation is fast approaching 20%, and Spain's growth rate will probably drop below 2% this year.
- Corporate profits are squeezed. Private investment has been falling. Tourist revenues (nearly $6 billion last year) and expatriate remittances are stagnating, the country's oil bill is set to double, to $12 billion, and Spain's current trade account is projected to swing from a $1.2 billion surplus last year to a $2.7 billion deficit for 1980.
- Hours lost to strikes soared 33% last year, to 171 million.
- Accused of mismanaging the economy, Prime Minister Suárez was subjected late in May to democratic Spain's first vote of no confidence. Thanks largely to abstentions, Suárez won the vote, but by a precarious 166 to 152 margin.

King Juan Carlos and Prime Minister Adolfo Suárez
Now to get Spain's economy moving again.

Confronted with what Spanish newspapers are calling *la crisis económica*—not to mention soaring crime rates and kiosks crammed with offensive pornography—many Spaniards are beginning to ask: Were we better off under El Caudillo and his repressive Guardia Civil?

Franco, who died peacefully in bed at 83, was lucky in his final 15 years in the saddle. Those years coincided with a Western European economic boom that spilled over onto Spain no matter how high Franco built his autocratic walls. Tourists by the tens of millions pumped the economy full of hard currency that financed huge shipyards, steel mills, textile factories and hydroelectric plants; the number of tractors working the soared from less than 100 in 19 nearly 500,000 last year. Peasant *bra* streamed off the southern farmlan new factory jobs in the northea Basque region and Catalonia, as w abroad. Today less than 20% of S 13 million work force works the That compares to Greece's 28%, P gal's 30%, Italy's 16%— Spain's 42% in 1960.

Throughout the 1960s right up to Franco's deat Nov. 20, 1975, Spain's eco grew at real annual rates c and 8%, second among O zation for Economic Co tion & Development cou only to Japanese growth From a country whose per ta national product was $3 1960, Spain grew to hav vate per capita consum only slightly below Britai 1976 ($2,300 compared $2,600). Today one Spania eight owns a car.

What's going on here? C democratic government deliver the prosperity as Franco's *dirigiste* po did? It can, but only if the democrat convince the voters of the necessi bear the costs as well as enjoy the fits of their new democracy.

"Any political revolution must b for in blood or in money," says Ebstein, director of Spain's big Ban Bilbao. "Fortunately our revolution very little blood. Unfortunately, we expect that it will cost us a great d money."

The problem is the classic one: dom versus order. When Franco die of King Juan Carlos' first steps w recognize unions and give the wo the right to strike. Employers, o other hand, have yet to be given the to fire. That won Juan Carlos the su of the well-organized Communist Socialist parties. But it also raised

o" supermarket in Madrid

the improvement, economic problems could undo a still-fragile political achievement.

An old Falangist mourns the death of Generalísimo Francisco Franco
Without El Caudillo to discipline them, will newly democratic Spaniards discipline themselves?

dangerously for Spanish industry, an industry that retains a heritage of inefficiency and rigidity from Franco's time.

Consider one glaring example. Spain's old-line automobile maker is SEAT, a partnership between the government (39%), Italy's Fiat (41%) and private Spanish banks and investors. Founded in the mid-Fifties, when "import substitution" (*i.e.*, protectionism) was the watchword, SEAT has been required by law to build cars with a 90% Spanish labor component. What that means in practice is that SEAT must produce not only cars but also many of the machine tools it needs to make the cars.

A few blocks down Madrid's tree-lined Avenida del Generalísimo from SEAT's headquarters are the offices of Ford España. With personal assistance from King Juan Carlos, Ford in 1976 opened a $750 million factory in Valencia. Because Ford, under a specially passed "Ford Law," must export at least two-thirds of its production, it can import up to 33% of its component needs.

Now compare the two companies: Ford Expana's capacity is around 270,000 cars per year; SEAT's is 330,000. Yet Ford employs just 10,000 workers to SEAT's 32,000. Not surprisingly, Ford España contributed handsomely last year to the $1 billion-plus profit Ford's European division turned in. SEAT lost over $200 million on revenues of $1.7 billion last year, and is expected to do likewise this year.

Last year, with its inventory hitting 90,000 cars, SEAT asked the government for permission temporarily to lay off—not fire—a portion of its work force. The government reluctantly agreed—but six months later and after much of the damage was done.

A real horror story of Franco economics saddling the new government is the Instituto Nacional de Industria (INI), the monolithic state holding company that employs around 250,000 workers (nearly 3% of Spain's industrial work force) and accounts for one-third of the country's capital investment. On gross revenues last year of about $15 billion, INI lost over $700 million, on top of an $820 million loss in 1978. INI's aristocratic Chairman José Miguel de la Rica, recently brought in from private industry to stem the bleeding, told FORBES: "We plan to create a private sector mentality in our public sector." But without the right to get rid of INI's excess labor baggage, what kind of private sector mentality can de la Rica create? Fiat's Giovanni Agnelli understands. He agreed to take over most of INI's shares in SEAT after Fiat and INI had agreed to invest nearly $1 billion in new plant and equipment. Last month, however, Fiat backed out of the deal.

For all its progress during the 1960s, Spain remains in many respects a p country. The big cities—Madrid, Ba lona and Bilbao in particular—have p pered. But drive the lonely two-lane r connecting Madrid with Valencia. white-washed villages shimmer chantingly from a distance. But cl inspection yields dirt streets, outd plumbing and barely enough electri to fire an overhead bulb. A pertin statistic: Last year Spain's electri generated per capita was just two-th the EEC average.

To ask working people to make sa fices under these conditions is both kind and dangerous; they have littl give up. But how do you make indu efficient if you force it to employ m people than it needs? That is the dil ma. As Dr. José Luis Leal, the br young minister of economics who sp most of his adult life teaching econor in exile in France, told us:

"Yes, we know we must liberalize unshackle] the economy. We *want* But we cannot do too much too quic We must move slowly."

The hope is to get private investm flowing again and thus create new for workers who now are either un ployed or creating an unneeded bu on private payrolls. But faced with po cal uncertainty, falling profits, labor r tancy and 20% interest rates, Spa capitalists prefer instead to ship t

ilk handling systems of almost every description depend on cket loaders of some kind for the primary input. For feeding eening plants, industrial conveyors, elevators and gravity systems, market a range of versatile 4-wheel-drive machines with bucket es up to seven cubic yards. Most of our models also find application ogging and construction, major sectors of the overall North nerican loader market of more than ten thousand units annually. Your uiries are welcome. John Deere, Moline, Illinois 61265.

OHN DEERE ON THE MOVE

JOHN DEERE

"Jardines – Significant growth"

Extracts from the 1979 Statement to Stockholders by Mr D.K. Newbigging, Chairman and Senior Managing Director, Jardine, Matheson & Co., Ltd. The Annual General Meeting was held on 18th June, 1980.

Jardines' consolidated net earnings for the year ended 31st December, 1979, after tax and minority interests, but before extraordinary items, were US$81.7 million, 20% more than the 1978 earnings of US$68.0 million. Earnings per stock unit of US$0.377 were 17.0% above the US$0.322 achieved in the previous year.

Extraordinary items amounted to a further net surplus of US$7.5 million, compared with US$1.9 million in 1978.

A final dividend equivalent to US$0.122 makes a total of US$0.166 for the year, representing an increase of 15.5% over the 1978 total of US$0.144 per stock unit. In addition, a free scrip issue of 3 stock units for every 20 held is recommended.

	1979 US$ m	1978 US$ m
Turnover	**1,159.1**	1,048.1
Profit before tax	**123.1**	103.1
Tax	**(24.9)**	(25.2)
Profit after tax	**98.2**	77.9
Minorities	**(16.5)**	(9.9)
Profit after tax and minorities	**81.7**	68.0
Net exchange translation differences	**11.1**	17.5
Extraordinary items	**7.5**	1.9
Total profit available for appropriation	**100.3**	87.4
	US$	US$
Earnings per stock unit*	**0.377**	0.322
Dividends per stock unit	**0.166**	0.144

** Before net exchange translation differences and extraordinary items.*

Currency converted from HK$ at middle market closing rates at year-end.

Disposal of certain assets and investments

During 1979, Jardines took several significant steps towards improving the underlying basis of its recurrent earnings by disposing of a number of loss-making or low-yielding assets and investments. The most important of these disposals was the sale of Toft Bros. Industries Ltd, an Australian subsidiary manufacturing sugar harvesting equipment. Reunion Properties Company Ltd, a subsidiary in the United Kingdom, was also sold for cash at net asset value.

These disposals, coupled with continued emphasis on cash generation and conservation in our operations, resulted in strong short-term cash resources at the year-end.

Results from quoted subsidiaries generally excellent

In October 1979, Jardine Securities Ltd became a subsidiary of the Company. Its results for the year ended 30th June, 1979 showed a satisfactory increase in income.

The results from the Group's other publicly quoted subsidiaries were generally excellent. Jardine Davies Inc. in the Philippines continued the recovery begun in 1978, and reported a net profit after tax and minority interests of US$1.9 million. Fleetways (Holdings) Ltd in Australia reported a 16% increase in net earnings to US$1.5 million. Rennies Consolidated Holdings Ltd in Southern Africa reported a 41% increase in 1979 to a record US$12.3 million. Zung Fu Company Ltd in Hong Kong also had a record year, reporting net profits of US$6.8 million.

During 1979, we made final payments totalling US$20 million in respect of our investment in Transporting and Trading Company Inc. (TTI), bringing the cost of our 40% holding to US$100 million. Now that the amount finally payable has been determined we have considered it prudent to charge the total payments made to the vendors, amounting to US$35.8 million which is not represented by tangible assets, as an extraordinary expense in the year under review. The four principal operating associates of TTI produced satisfactory results in 1979 and future prospects for the TTI group remain encouraging.

In Hong Kong all sectors of business do well

Trading and Light Industry was once again a mainstay of Jardines' operations in 1979. In Hong

the continued growth of the economy
d all sectors of our business to do well.
s from our trading activities in Southern
and North East and South East Asia were also
ctory, while in Hawaii the acquisition of the
des-Benz franchise added a further activity to
H. Davies & Co., Ltd.
ur Transportation interests continued to
r in 1979. We have expanded our shipping
which currently stands at 29 ships totalling
ximately 1.6 million dwt, including seven
ildings currently on order. All are fixed on
able medium to long-term bareboat or time
rs, with the exception of two newbuildings.
ur Airways Division in Hong Kong had an
ent year, as did our airfreight operations in the
d Kingdom and Southern Africa.
ur Group insurance operations made a higher
bution to earnings in 1979, with Lombard
nce Company Ltd reporting increased profits.
surance broking interests also had a satis-
y year and these operations are now co-
ted on a worldwide basis from Hong Kong
ondon. Although Jardine Fleming & Company
ur merchant banking associate, failed to
the record profits of 1978, all areas of its
ss made satisfactory progress in operational

ur property interests were extensively
nized in 1979, with the Group substantially
sing its shareholding in The Hongkong Land
any Ltd.
ur investment in the sugar industry produced
ctory returns in 1979 from growing and
g in Hawaii, and from milling in the
pines. Prospects for our sugar operations look
in the forthcoming year than for some time,
gh much will depend on price trends over the
der of this year.

e China developments announced in early

ur office in Beijing (Peking) has continued to
focal point for our business in and with
although a second office will shortly be
shed in Guangzhou (Canton). This deals with
range of our more traditional export and
t activities, which have been extended to
ce joint-venture industrial investments and
nsation trading. The diversity of these
sts can be demonstrated by two developments
nced in March 1980. The first was the establishment of China Schindler Elevator Co. Ltd, to manufacture and distribute lifts and escalators both within China itself and for export, in which the partners are China Construction Machinery Corporation, Schindler Holdings AG and Jardine Schindler (Far East) Holdings SA. The second was the announcement of our agreement to underwrite the British mountaineering expedition to Mount Kongur in Xinjiang (Sinkiang) Province.

Achievement of two major objectives in 1979

1979 saw the achievement of two objectives towards which we have worked over the past few years: the disposal of several unprofitable or low-yielding investments, and a substantial improvement in the quality and proportion of our recurrent earnings. During this period we also placed great emphasis on the improvement of the ratio of our debt to stockholders' funds. However, we may be prepared to relax this policy to take advantage of opportunities which arise for new investment.

Further significant earnings growth expected in 1980

On the international front, 1980 has started with political problems in the Middle East, and economic problems and recessionary fears in many countries in the world, not least the USA. Notwithstanding these political and economic uncertainties, Jardines face the future with confidence. Our record profits in 1979 are over ten times those we reported for 1969, and there have also been substantial increases in earnings, dividends, and net assets per stock unit during the same period.

In the more immediate future, we expect 1980 to be another good year for Jardines and anticipate further significant growth in net earnings at a rate similar to that achieved in 1979.

D.K. Newbigging
Chairman

Hong Kong, 15th April, 1980

The Annual Report is available from the Company Secretary.

JARDINES

line, Matheson & Co., Ltd, Connaught Centre, Hong Kong

money to safer havens, Argentina being especially popular. The bright spot in recent years has been foreign investment: $1.2 billion worth last year alone, mostly from U.S. companies. One psychological as well as financial boost came last summer when General Motors announced it will begin construction of a $1 billion-plus, 270,000 cars-a-year factory in Zaragoza, 200 miles northeast of Madrid.

In a sense the current economic crisis is a test to measure whether Spain's new democracy is, at bottom, viable. There is plenty of evidence that it *is* viable. Early this year, for example, the Socialist Party's 1.5 million-member trade union group, Unión General de Trabajos, and the employers' association, Confederación Española de Organizaciones Empresariales, agreed that wage increases for the coming year will not exceed 14% in the case of financially healthy companies, and 4% for weak ones. The Communist Party's 1.5 million-member union group Comisiones Obreros tried strenuously to sabotage the agreement, but failed. And according to the latest available figures, the number of hours lost because of strikes dropped from 62 million in the first two months of 1979 to 50 million for the same period in 1980.

The tax system, too, is becoming more equitable. Under Franco, tax evasion was considered a national sport. In 1970, for example, of the $3.5 billion raised from direct and indirect taxation, nearly 70% was accounted for by the latter. To swing the country into line with Common Market countries (and, long term, to encourage rational government spending by spelling out its cost on paychecks), the government last year cut rates (to a maximum 40% on personal, and 33% on corporate, incomes), beefed up its enforcement staff and let the news media publish the tax payments of numerous leading politicians and businessmen (FORBES, *May 28, 1979*).

So far the ploy has worked: Of the $20 billion collected last year, over 50% came in the form of income taxes.

"I don't think anyone really *enjoys* paying their taxes now," says José de Borbón, the cosmopolitan young chief manager of international banking at the big Banco Viscaya. "But we all recognize that tax reform was necessary for Spain to become a real democracy."

It's a good sign, too, that Economics Minister Leal understands the problem of saddling business with too many social costs: "Labor has become too expensive," he says, noting that contribut to Spain's social security system (wh includes unemployment insurance) come to around 30% of wages, am the very highest rates in Europe. "So are proposing that, by 1984, the state contribute 20% to the Social Securi In short, some of the burden wil transferred from business to the soc as a whole.

If the infant Spanish mocracy can thus acce modicum of economic d pline—and if Spain is lowed, by France, to join Common Market in 198 1984—its prospects for vival are excellent. Certa the Spanish masses are likely to succumb to Ma blandishments and sul tute one form of autoc for another. Abilio de Qu Ford España's shrewd D tor of External Affairs, te popular Spanish joke. Communist priest is tr to recruit an Andalu peasant for the Party.

Peasant: "What is C munism, Father?"

Priest: "Communism when, if you have two fa you keep one and give other to the Party."

Peasant: "Hey, t great. I'll sign up."

Priest: "Or if you have houses, you keep one give the other to the Part

Peasant: "Fanta Where do I sign?"

Priest: "Or suppose have two bicycles . . ."

Peasant: "Hold it, Pad *have* two bicycles."

One especially artic Spanish businessman plained why he is optim about the future:

"You have to remer that, after 35 years of F co, no one really believe the new democracy. government *said* porn phy was legal, but people to publish and buy porn phy to see if it really legal. A *legal* strike w completely new con and all the workers wa to try a legal strike. So year we had a lot of str The new democracy like a fever: You ha pique, and then it c down as people learn really do have these rights and learn that de racy also requires its disciplines." ■

Blood in the streets of Bilbao

One morning in April Count Aresi entered the lobby of his Bilbao office building, saw an OUT OF ORDER sign on the elevator, climbed the stairs to his office and was gunned down in the stairwell. The murderers were the Euskadi Ta Askatasuna (ETA), the fanatical Basque separatist organization. Babbling a weird blend of Leninist and Hitlerian rhetoric including claims of the Basques' genetic superiority, the ETA has so far this year claimed responsibility for 32 cold-blooded killings on top of about 100 since 1968.

Rumor has it that the ETA is jointly financed by Libya's bizarre dictator, Qaddafi, and the KGB. It is a cold fact, though, that much of the killing budget comes from the "revolutionary tax" that the ETA levies on local businessmen. It works like this: The businessmen routinely receive a letter asking for revolutionary taxes to help fight centrist Madrid's repression of the Basques. The request often ranges from $75,000 to $300,000 per businessman, payable in cash across the French border, usually near Biarritz.

And if you don't pay, the letter concludes, we will simply kill you—and they will, as the case of Count Aresi proves.

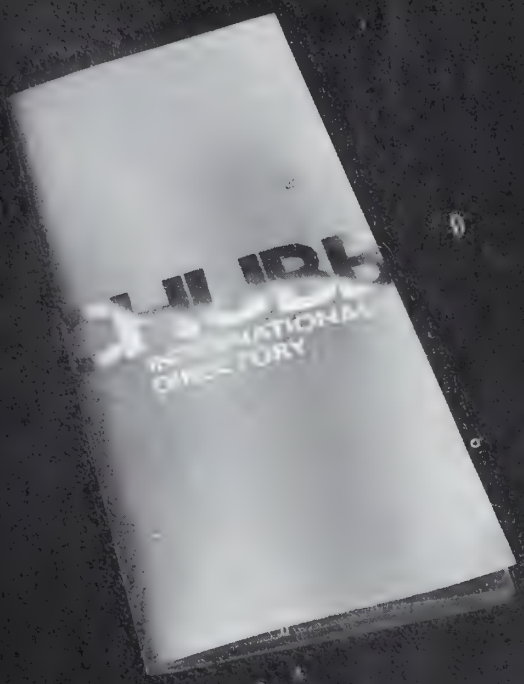
A tiny (and probably diminishing) minority of Basques support the ETA killers, but as economic stagnation grips Spain *(see story)*, there is a real danger that the ETA could develop more sympathy.

Many Basque businessmen have fled the area for the relative safety of Madrid. Good-bye, job creators. One man who has stayed and refuses to pay the revolutionary taxes is Luis Olarra, 47, a barrel-chested, cigar-chomping entrepreneur who in 23 years has built his Bilbao-based Olarra Group from nothing into a $200 million (sales) specialty-steel producer. "The ETA knows I won't pay because I have [repeatedly] said so—publicly," Olarra explained to FORBES. As a result, he continued, "they [the ETA] want to make an example of me."

To make sure that doesn't happen, two full-time bodyguards live in Olarra's sprawling mansion outside Bilbao—with four more on the watch outside the house—protecting Olarra's wife and eight children. Three cars tail Olarra wherever he goes. Olarra himself goes forth armed with a walkie-talkie and a pistol.

Violence and fanaticism have marred much of Spain's history. The ETA killers are a throwback to those bad old days and a threat to the budding democracy.—*L.M.*

Tight security has not stopped the Basque terrorists



How to avoid foreign entanglements.

There are real advantages in having international insurance placed with the same company that writes the related domestic insurance.

It allows the foreign exposures to be insured under the same terms and conditions as the domestic operations.

More important is the confidence that comes with having those far away risks in the hands of those who have proven their expertise closer to home.

As overseas operations have become more important to many businesses, Chubb has expanded its branch and affiliate network in those parts of the world where you probably need us most.

If you have a question concerning overseas insurance, contact your Chubb representative. In addition to helping you, he can send you a copy of our International Directory. And prove to you that foreign expertise isn't foreign to us.

CHUBB

Group of Insurance Companies
100 William Street, New York, N.Y. 10038

Chubb is proud to play a part in bringing you The Dick Cavett Show. Watch for it on your local PBS station.

This advertisement is neither an offer to sell nor a solicitation of offers to buy any of these securities. The offering is made only by the Prospectus.

NEW ISSUE

June 13, 1980

$100,000,000

Campbell Soup Company

9⅞% Notes Due 1990

Price 100%

plus accrued interest from June 15, 1980

Copies of the Prospectus may be obtained from any of the several underwriters, including the undersigned, only in States in which such underwriters are qualified to act as dealers in securities and in which the Prospectus may legally be distributed.

The First Boston Corporation

Goldman, Sachs & Co. | **Merrill Lynch White Weld Capital Markets Group** Merrill Lynch, Pierce, Fenner & Smith Incorporated | **Salomon Brothers**

Bache Halsey Stuart Shields Incorporated | **Bear, Stearns & Co.** | **Blyth Eastman Paine Webber** Incorporated

Dillon, Read & Co. Inc. | **Donaldson, Lufkin & Jenrette** Securities Corporation | **Drexel Burnham Lambert** Incorporated

E.F. Hutton & Company Inc. | **Kidder, Peabody & Co.** Incorporated | **Lazard Frères & Co.** | **Lehman Brothers Kuhn Loeb** Incorporated

L.F. Rothschild, Unterberg, Towbin | **Shearson Loeb Rhoades Inc.** | **Smith Barney, Harris Upham & Co.** Incorporated

Warburg Paribas Becker A. G. Becker | **Wertheim & Co., Inc.** | **Dean Witter Reynolds Inc.**

recession won't end until the huge per-al and corporate debt load is worked off. guides show when that will be.

How to spot the bottom

E ARE IN A CREDIT recession, not an inventory-correction recession. The difference matters.

cause of the latter kind is almost ingly familiar—exuberant mis-nt on the part of businessmen out more goods than the market e, enlarging stocks in warehouses ust in time be liquidated. While es on, production declines, jobs and people and companies are ut the signs of a turnaround are e—a low inventory-to-sales ratio ickup in final sales.

cause of the credit recession we w is familiar, too. Our favorite e is the testimony of one FORBES who, within just a few days last r, received solicitations in the om Citibank, Chase Manhattan ropean-American Bank, each urg-to open a line of credit. Togeth-credit lines added up to $40,000. nual interest rate to be charged this individual, at a time when forces leading to a prime rate of 20% to blue-chip corporations were gathering, was to be 12%. Exuberant bankers' willingness to extend noncollateralized bank credit, plus credit cards, plus ongoing automobile and appliance credit and even mortgage credit—this total credit binge was what kept the economy expanding long after it should have slowed.

As with individuals, so with companies *(see chart)*. Businessmen, like consumers, were taking advantage of a veritable glut of loanable funds, issuing commercial paper, taking down bank lines and even borrowing from finance companies like Ford Motor Credit and General Electric Credit.

The credit binge ended abruptly only in March, following the announcement of the Administration's and the Federal Reserve's new credit-restraint program, and a swing from borrowing to repaying has been going on since then. Could a return to borrowing and spending occur just as rapidly? That's possible but unlikely. Daily reports of growing unemployment, of recession spreading from autos and housing into other sectors—by May, industrial production had been down for four consecutive months—will make for cautious spenders.

It will be hard to tell when individual and corporate debt have been worked off enough to signal a bottom—harder than gauging inventory levels. But there will be signs. For individuals, watch the level of savings. Spending will fall faster than aggregate personal income, and thus savings—defined as the difference—will start to accumulate. The savings rate dropped from 7.7% in 1975, when the last recession was ending, to a bare bones 3.7% in the first quarter of this year. As it gets back above 5%, say, the debt load on individuals should *feel*—in these matters, state of mind is crucial—considerably lighter.

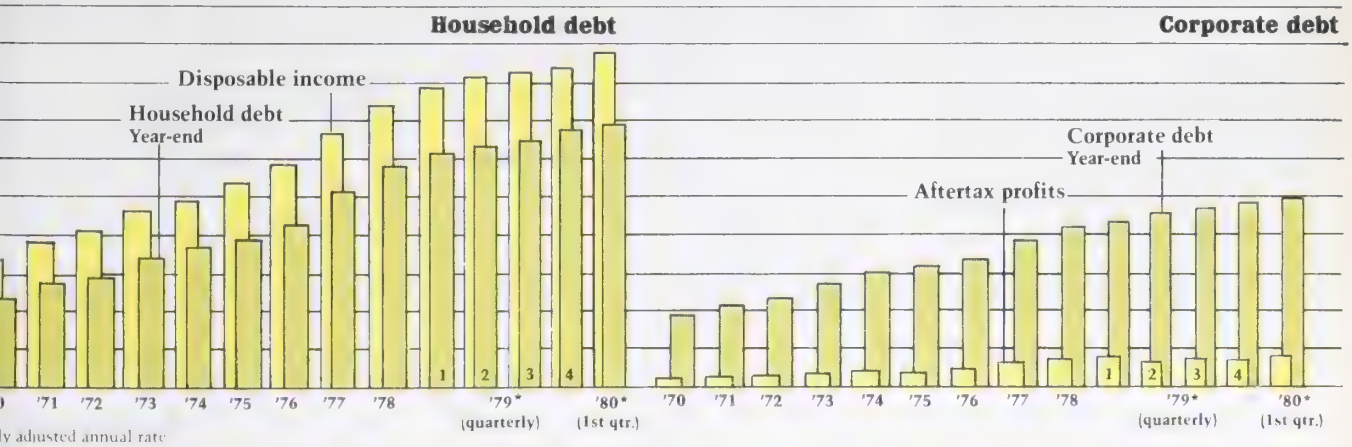
Consumers alone, however, can't turn the economy around. Business' state of mind—as demonstrated in the willingness to place orders and finance capital projects—is crucial too. Watch the relationship of short-term debt to long-term debt. After the Fed lowered the boom on credit in March, many businessmen began a series of long-term financings—reaching a record $13 billion total in May and June—in order to pay down short-term debt.

The trough—the bottom of the recession—will be reached when the banks are once again offering easy, low-cost loans . . . and finding takers. At the current rate of debt repayment, that could be by late this year or early 1981. ■

Everyone's debt load

efore have Americans owed so much. With the prospect fs and reduced disposable income later this year and nsumers will be feeling the burden more and more—and vier it feels, the less likely they are to increase spending.

Business is feeling the weight of debt, too—almost $1 trillion at the end of the first quarter. With profits in many industries already faltering, companies will have to concentrate on repaying old debt before they consider new capital spending.



ly adjusted annual rate
ow of Funds, *Federal Reserve Board*

Mortgage-backed bonds are no great shakes for the investor and appear to be unwise for the S&Ls that are issuing them.

A GOOD WAY TO GO BROKE

By Ben Weberman

AMONG THE HOTTER items in the fixed-income market lately are mortgage-backed bonds. For all the energy with which financial institutions, notably the savings and loan associations, have been hawking them, they are no great shakes for the buyers and they may be pathetic follies for the sellers.

Mortgage-backed *bonds* should not be confused with mortgage *pass-through certificates*. The latter represent part ownership of a pool of mortgages that a financial institution has sold to a trustee. I have no quarrel with the pass-through certificates. The seller knows his profit or loss on the transaction at the time of the transfer. Subsequent risk is squarely on the shoulders of investors.

Mortgage-backed bonds, in contrast, are borrowings by the financial institutions themselves, which use mortgages as collateral to back these loans and thereby improve the quality of the debt instruments. Usually, the value of the mortgages pledged ranges from 125% to as much as 140% of the principal amount.

For the investor, mortgage-backed bonds are no great shakes simply because they offer yields that can easily be matched elsewhere and may, despite their ordinary yields and depending on which institution is doing the borrowing, carry uncommon risk.

The reason for the added risk is that, given the temper of the times and the direction of the money markets, mortgages used to back the new paper may produce yields that are less than the savings and loan's cost of the money. Bay View Federal Savings & Loan of San Mateo, Calif., for example, sold $40 million of 10.85% mortgage-backed, five-year AAA-rated bonds in mid-June. Because Bay View earnings had been hard hit in the first quarter of 1980, coverage of all interest charges was only 1.02 times. Bay View's problem—shared by all issuers of mortgage-backed bonds—is that if mortgage rates decline dramatically from the current levels, they could bring a lower yield than the cost of money being borrowed.

A bit of simple arithmetic shows the problem, and the risk, clearly. The bonds sold to the public to yield 10.85% in June cost Bay View over 11% (after underwriting and other fees are deducted). Typically, it costs any institution about ½ of 1% to service a mortgage loan. (Thus, a 12% mortgage really yields only 11.50%.) There is a good chance, then, that money borrowed by an S&L through a mortgage-backed loan at an effective cost of 11% to 11.50% will subsequently be put to work at a yield of 9% to 10%. I believe mortgage rates must follow the declines that have already taken place in other markets. It's a good way to go broke.

Bay View Federal Savings & Loan has not been the sole issuer of mortgage-backed bonds. Coast Federal Savings & Loan has marketed $100 million of six-year mortgage-backed bonds at a price to yield 10.53%. Valley Federal Savings & Loan Association came to market with $50 million of ten-year mortgage bonds priced to yield 11.10%.

Despite AAA-ratings and mortgage insurance, the issues are resistible and the issuers' enthusiasm for them is inexplicable. The Federal Home Loan Banks, which regulate the associations and are in effect their central bankers, are flush with cash because of their own market operations. They have been reminding S&Ls frequently that the cash is there and that they are willing to lend it. The Federal Home Loan Bank of San Francisco advances cash to thrifts today at a charge of 10% for up to one year and 10¼% for one to five years. Why would a savings and loan prefer to pay 11% or more by issuing a mortgage-backed bond when it can take 10¼% money from the central bank?

I do like the mortgage pass-through *certificates* sponsored by Bank of America, however. The latest series, which came to market May 23, consisted of a little more than $100 million in certificates representing a participation in mortgages orginated by the bank with rates of 12.5%, 12.75% and 13%, a weighted average of 12.81%. Of that total, interest is passed through at 11.875% to investors. These are available in pieces of $25,000 or more.

Individual investors are showing many signs of frustration in the fixed-income markets. Passbook savings accounts paying only about 5.75% in commercial banks and 6% in savings institutions have been drawing in lots of money. I presume that the funds are being parked there temporarily, awaiting more lucrative opportunities. Since interest rates look to me to be heading lower throughout 1980—don't be distracted by transient blips—I believe the opportunities are going to be scarce.

Born-again bonds

One instrument that has gained popularity in the past few weeks is, of all things, U.S. Treasury Savings Bonds. Remember them? Only last February and March everyone complained that they were outdated and even colder than the bond market. The Series EE bonds are available in denominations starting at $50, for which the individual puts up only half. Interest is described as a 6½% annual rate with an extra ½ of 1% bonus for those who hold them a full 11 years to maturity. Turn a bond in after only one year, however, and your return will be a meager 4½%. After five years they will bring the full 6½%, even if redeemed prior to maturity.

The appeal of these bonds is that interest is not taxable until the bond is turned in. Series HH bonds sell at face value and draw interest at 6½% payable semiannually.

I don't recommend purchase of the savings bonds yet unless that tax deferral feature is particularly important to you. I would prefer the 30-month savings certificate issued by a savings institution. These draw 10.11% for 2½ years. The interest, of course, is subject to federal and state taxes. ■

Ben Weberman is economics editor of FORBES *magazine.*

This advertisement is neither an offer to sell nor a solicitation of offers to buy any of these securities. The offering is made only by the Prospectus.

NEW ISSUES

June 9, 1980

$350,000,000

J. C. Penney Company, Inc.

$150,000,000

10¾% Notes Due 1990

Price 100%

plus accrued interest from June 15, 1980

$200,000,000

11½% Sinking Fund Debentures Due 2010

Price 99.50%

plus accrued interest from June 15, 1980

Copies of the Prospectus may be obtained from any of the several underwriters, including the undersigned, only in States in which such underwriters are qualified to act as dealers in securities and in which the Prospectus may legally be distributed.

The First Boston Corporation

Goldman, Sachs & Co.

Merrill Lynch White Weld Capital Markets Group
Merrill Lynch, Pierce, Fenner & Smith Incorporated

Salomon Brothers

Bache Halsey Stuart Shields
Incorporated

Bear, Stearns & Co.

Blyth Eastman Paine Webber
Incorporated

Dillon, Read & Co. Inc.

Donaldson, Lufkin & Jenrette
Securities Corporation

Drexel Burnham Lambert
Incorporated

E. F. Hutton & Company Inc.

Kidder, Peabody & Co.
Incorporated

Lazard Frères & Co.

Lehman Brothers Kuhn Loeb
Incorporated

L. F. Rothschild, Unterberg, Towbin

Shearson Loeb Rhoades Inc.

Smith Barney, Harris Upham & Co.
Incorporated

Warburg Paribas Becker
A. G. Becker

Wertheim & Co., Inc.

Dean Witter Reynolds Inc.

At home and away, we are lowering our living standards, sometimes without even being aware that we are doing it.

THE JOYS OF TRAVEL

By Heinz H. Biel

THE TRAVEL SEASON is now at its peak. The recession notwithstanding, a record number of Americans will visit foreign lands. Those who have never been abroad, except maybe to Mexico, Canada or the Caribbean islands, will be surprised when they find out how expensive most European countries are, and Japan is worse. Others, who have been there before, will remember with nostalgia how cheap and easily affordable Europe was in the Fifties, Sixties and until well into the Seventies.

New Yorkers are used to high prices, but even they blanch when they get their hotel bill or restaurant checks, whether it be in London or Tokyo, Paris or Stockholm. I think we could dispense with most of the customs officers at our airports, because there is very little that you can buy abroad these days that you could not get for less on Fifth Avenue or Madison Avenue.

Americans have become increasingly conscious of inflation ever since it began to get really bad. But when you go abroad, you get hit by the double whammy: the depreciation of the dollar against other currencies and, on top of that, the steep prices resulting from their own inflation, which in some countries matches or exceeds our own. We used to pay less than 24 cents for a Swiss franc; now the cost is over 60 cents, 1½ times as much. Add to that the fact that local prices have at least doubled—in some countries much more, in others somewhat less—and you know why foreign vacations have become so fiendishly expensive for dollar-spending tourists.

Unless your income has done more than just keep up with inflation and higher tax brackets, many of the luxuries you liked to enjoy as a traveler abroad are no longer as easily affordable. Now you have to pick a hotel in a lower category, select the restaurant on basis of price rather than quality. You may even have to give up your personal freedom and buy a "package" or go with a "group." In brief, whether you like it or not, you are forced to lower your standards.

Why do I talk about this seemingly extraneous subject? Because the experience abroad gives us a foretaste of things to come over here. Willy-nilly, we are lowering our living standards by skipping things we would like to do or to have, but often we are not even aware of it. For instance, do you know how much less house you get for so much more money?

Most of us are quite helpless in fending off the constant erosion of the dollar. It is all the more important, therefore, to safeguard one's accumulated capital. Dollar denominated investments, whether they be life insurance or bonds, just melt away like the money in your pocket. Collectibles are good if you know what you are doing. The pros and cons of owning gold have been debated again and again. Over a period of time gold is certainly better than dollars, and I do not advise against buying it if its possession gives you a feeling of greater security.

Obviously, I am biased in favor of common stock investments, although not all of them have served their intended purpose as inflation hedges. In fact, some of the bluest blue chips, once the one-decision institutional pets, have performed rather miserably in that respect. But it may be time to put your prejudices aside and take a fresh look at some of them.

Qualitatively, *Johnson & Johnson* (81) is in a class by itself, but as an investment it proved a disappointment. But let the figures speak for themselves:

	1972	1980
Highest price	133	82¼
Earnings per share	$2.15	$6.60
P/E multiple	61.9	12.5
Dividend	$0.44¾	$2.30
Yield	0.3%	2.8%
Return on equity	17.8%	18.9%

[1]To date. [2]Estimated. [3]For 1979.

The reason the stock performe poorly? It was idiotically overpriced i 1978. This is no longer the case.

Minnesota Mining (55), another com pany of superior quality, also deserve a fresh appraisal:

	1973	1980
Highest price	91⅝	58¼
Earnings per share	$2.62	$6.00
P/E multiple	35.0	9.7
Dividend	$1.05	$2.80
Yield	1.1%	4.8%
Return on equity	20.7%	23.6%

[1]To date. [2]Estimated. [3]For 1979.

Even in 1975, when earnings ha dipped from $2.66 a share the yea before to $2.29, 3M sported a prou multiple of not less than 19. Toda with earnings and dividends up mo than 100% in the past five years, th P/E ratio is less than 10. If it was to high then, it is probably too low nov

Or take *Procter & Gamble* (76), household word if there ever was one

	1973[1]	1980
Highest price	120	80⅝
Earnings per share	$3.68	$7.85
P/E multiple	32.6	10.3
Dividend	$1.56	$3.40
Yield	1.3%	4.2%
Return on equity	18.1%	18.8%

[1]Fiscal year ending June 30. [2]To date. [3]Estimated. [4]For 1979.

Yes, these are *mature* companie although the age does not show. A three and many others not only hav splendid records of steadily rising pe share earnings and dividends, outrun ning inflation by wide margins, bu their return on equity, a key measure ment, is better than ever.

Most investors have by now, I pre sume, adequate representation i stocks of the favored industries of th day: energy and high technology, a well as natural resources and the like That's fine, but don't overlook th merits of the enormously strong com panies mentioned above. Except fo the 3M company they are virtuall immune to the business cycle an their ability to increase dividend steadily, year after year, is superio Unless there is an unavoidable neces sity to maximize current income, I' rather have stocks of this caliber tha problem-ridden electric utilities. ■

Heinz H. Biel is a vice president of the NYSE firm of James Montgomery Scott.

THE REPUBLICAN CONVENTION STARTS JULY 14.

BE THERE...NO MATTER WHERE YOU ARE.

The Republicans meet in Detroit July 14-July 17 to name their choices for America's leadership over the next four years.

Be in the thick of things wherever else you go!

CBS Radio brings you right into it with Convention coverage by America's finest broadcast news team, CBS News. You'll hear CBS News Correspondents Reid Collins and Charles Osgood as anchors, along with George Herman, Andy Rooney, Neil Strawser and many more. They'll bring you comprehensive nine-minute wrap-ups twenty minutes after and ten minutes before each hour—plus extended coverage as needed.

And before the Convention, July 11-July 13, we'll set the scene with three pre-Convention countdown broadcasts, anchored by Charles Kuralt and Charles Osgood.

Whether you plan to be at work or at play, plan on joining us for one of the great events of CAMPAIGN '80. An event which will shape your life—as well as the nation's life—for the next four years.

CBS RADIO NETWORK

Take Common Stock in the '80's.

Investors are now taking a hard look at common stocks as the investment vehicle of the '80's. And the thought that real values can be missed by overemphasizing timing and cycles.

We at Penn Square think this makes sense. After all, it's what we've been saying for 23 years.

For more information, including management charges and expenses, write or call us for our prospectus. Read it carefully before you invest or send money.

800/523-8440
In PA, call collect, 215/376-6771

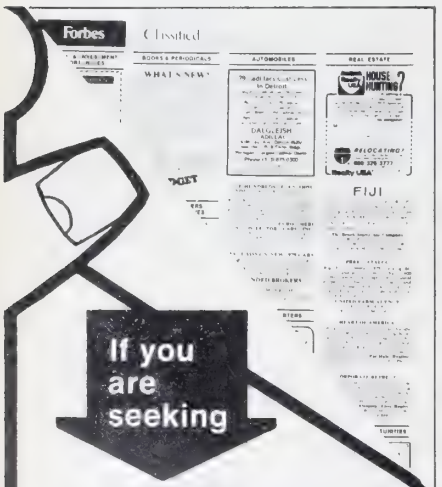
Penn Square Mutual Fund
5th & Washington Sts. PO Box 1419 Reading PA 19603

Name _____

Address _____

City _____ State ____ Zip ____

23 years of investment experience
Over $140,000,000 in assets FM



If you are seeking

INVESTMENT OPPORTUNITIES

TAX SHELTERS

POSITIONS AVAILABLE

BUSINESS OPPORTUNITIES

REAL ESTATE, ETC.

Turn to pages 150-151 of this issue for

Forbes Classified

In the last six months two winners paid for all four of the losers, with some left over. But traders who stuck with their losers too long have nothing to show for their efforts.

NOT A BAD SEASON

By Stanley W. Angrist

EITHER commodity trading is getting harder or I am losing my touch. But compared with the Hunts, my track record for the six months just past is pure sterling. (Sorry, but I couldn't resist that one.)

First, let's look at a summary. I made a total of 11 recommendations, but it was possible to enter only 9 of the trades at the recommended level. Of those nine, three are washes so far, with neither a significant gain nor loss. Two were profitable and four were losers. A success ratio of two trades out of nine is only 22.2%. But the number on which one should really concentrate is the ratio of trades that resulted in a profit or loss (that is, exclude the washes), which in my case is two out of six. That ratio is 33⅓%. Furthermore, there were $4,485 in profits and $2,755 in losses for a realized net profit of $1,730 (excluding commissions). Let's look at the record, trade by trade.

In the Dec. 10 issue I recommended a play on the yield curve. (This trade was reviewed in the Jan. 21 issue, at which time it had moved 15 points — $468— in my direction. I noted that it should have more room to run. It did—fantastically against me.) I recommended purchase of the December 1980 T-bond, while selling the December 1981 T-bond, with at least a 5-point premium to the 1981 bond. As interest rates began to rise in midwinter, the yield curve became more and more inverted and in mid-March the 1981 bond reached a premium of 80 points to the 1980 bond.

Smart traders took a loss of 20 points early ($625) and waited to reenter when the yield curve was at its most distorted level. Indeed one trader called to thank me for this trade. I could hardly believe my ears. He explained that he liked the trade but waited to put it on until it was at the 80-point premium level. He exited in early May after the bonds went back to their normal relationship for an 85-point ($2,656) profit. I appreciated the thanks, but I must confess I was not deluged with calls.

In the Jan. 7 number I stated that I was a closet bull on the grains. Indeed, I recommended a long position in corn or, alternatively, a bull spread in corn. My crystal ball was fooled by world events (again!). In early January the President announced a grain embargo of the U.S.S.R. The grains fell out of bed with a sickening clunk. The trade cost a minimum of $750 (only $150 if you took the spread, however).

In early February I came to the conclusion that the Swiss franc was overvalued in comparison with the deutsche mark. I recommended buying the latter while selling the former, with the franc at a 610-point premium. I said you could pick up 250 points ($3,125) as the franc weakened relative to the mark, and indeed traders did by the end of March. It was the best trade I recommended in the first six months of 1980.

On Feb. 18 I revisited the grains by way of a spread between a long position in wheat against two short positions in corn. I thought that corn would be much weaker than wheat. I was wrong—it was the other way around. Smart traders took only a 20-cent loss ($1,000). One of these days I'll figure out the grains.

In early March I thought some money could be made out of a heating oil contract by going long the September contract. It has done very little, and I count the trade a wash.

In mid-March I recommended a trade of long July bellies/short July hogs, with bellies only 100 points over

Stanley W. Angrist is a professor at Carnegie Mellon University and the author of Sensible Speculating in Commodities.

ɔgs. Bellies promptly went out to a)0-point premium, allowing traders take a 400-point profit ($1,360). ıat was the second and last profit-le trade of this six months.

In the Apr. 14 issue I recommended spread of long October/short Decem-r cotton, with October no more an 250 points premium to Decem-r. I was (and still am to a lesser tent) a cotton bull. Unfortunately, I ink that very few people could have tered the trade at the recommended vel. If they had, they could have sily gotten 120 points ($600) or so t of it. The spread has subsequently llapsed to the point where October selling for less than 100 points over ecember. Venturesome traders ight want to try this one again, risk-g no more than 100 points from the try level. Any rally in cotton should m this spread profitable.

At the end of April I recommended ɔelly versus hog spread again. This ne it was a disaster! Bellies sank to unprecedented 700-point discount hogs (basis the July contracts). Who ɔuld have believed it? The realized ss should not have been more than 0 points, or $380 per spread.

At the end of May I examined cot-n in some depth and decided that I ıs still a bull. I recommended a trade is time of long December/short arch, with March at a 150-point emium. Unfortunately, I don't be-ve that this trade could have been tered. And now I like the long Octo-r/short December position de-ribed above better.

In the June 9 issue I described the eory of carrying charges. I thought a ll spread in soybeans reasonable. It ıs reasonable, but it hasn't done ything, and I count it as a wash.

In the June 23 issue I recommended ɔull spread in sugar, as I believe it ll make one more run for the top. ıe risk appears low, but it is too on to judge whether or not it will be ɔfitable. Right now I am throwing it to the wash column.

You might consider only two win-rs to be a pretty poor performance. t remember, those two winners id for all the losers, with some left er. There would be none left over those of you who let some of the sers hang around beyond the recom-ended bail-out points. The one vir-e that commodity trading demands those who succeed at it is disci-ne. Without it, you might as well go Las Vegas, drop your money at the ıp table and enjoy the floor shows. least you'll get a suntan. ■

HIGH TAX BRACKET INVESTORS:

CONSTANT $1 SHARE PRICE PLUS TAX-FREE INCOME.

The minimum investment is $20,000 for this new Fidelity money market fund. It is the first tax-free* fund to offer a constant $1 share price and immediate liquidity. (Moreover, the tax-free instruments owned by the Trust are exempt from Federal Reserve deposits for money funds.) These are the advantages:

1. Constant $1 Share Price.
2. Daily Tax-Free Income.
3. Check Redemption & Wire Liquidity.

If your tax bracket is 50% or higher call today for current yield and more facts.

CALL FREE
(800) 225-6190
In Mass. Call Collect (617) 523-1919

*A portion may be subject to state or local taxes.

FIDELITY 10
TAX-EXEMPT MONEY MARKET TRUST

Designed for accounts of $20,000 or more

P.O. Box 832, Dept. JB 070780
82 Devonshire St., Boston, Mass. 02103

For more complete information, including fees and expenses, please write or call for a prospectus. Read it carefully before you invest.

Name
Organization Tel.
Address
City State Zip
☐ Personal ☐ Professional Advisor ☐ Institutional

One Grand opportunity.

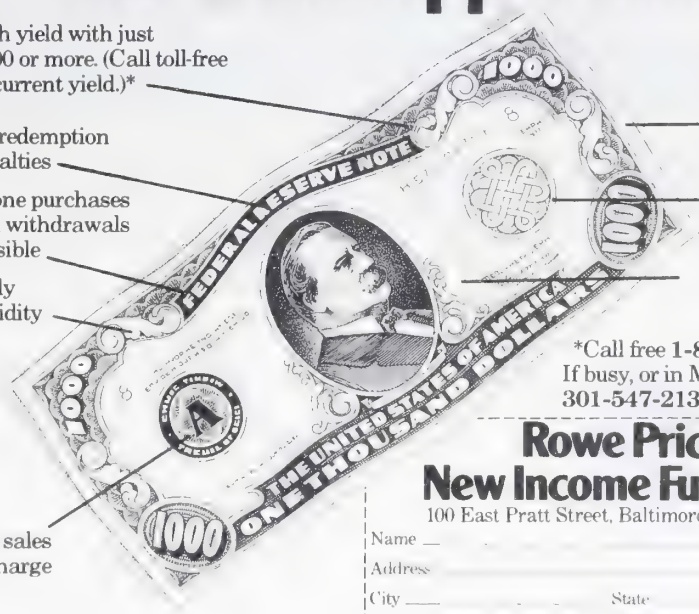
High yield with just $1000 or more. (Call toll-free for current yield.)*

No redemption penalties

Phone purchases and withdrawals possible

Daily liquidity

No sales charge



Free checkwriting.

Low-cost management.

Good stability through quality bonds.

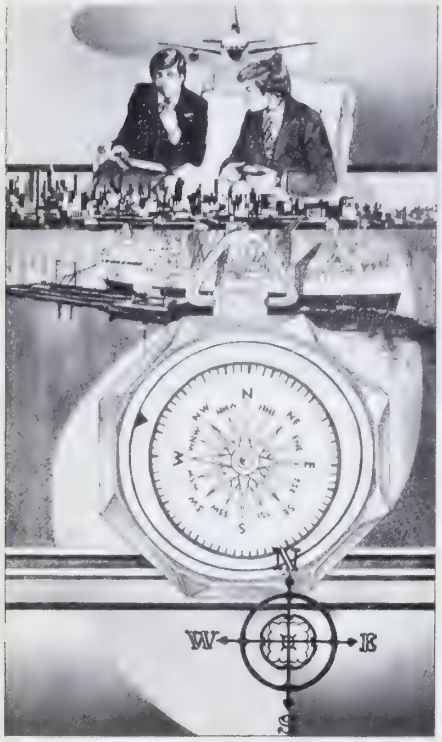
*Call free 1-800-638-5660. If busy, or in Maryland, call 301-547-2136 collect.

Rowe Price New Income Fund, Inc. A6
100 East Pratt Street, Baltimore, Md. 21202

Name
Address
City State Zip

For more complete information, including the management fee and other charges and expenses, obtain a prospectus. Read it carefully before you invest or send money.

SERIOUS BUSINESS.



International Trade in the October 27, 1980 issue of Newsweek International

Every week, Newsweek International focuses on an audience loaded with buying potential.

But the "International Trade" Special Section will target in even tighter... on key executives who make critical business decisions.

New opportunities, new regulations, new barriers will be examined by experts in multi-national commerce. The new marketplaces for raw materials and finished goods will be detailed. Issue Date: October 27, 1980. Advertising Close: September 8.

To reserve space, or get more information about this Special Section, contact your Newsweek International representative.

And get ready to do very big, very serious business.

SPECIAL SECTIONS/1980

Newsweek International

How seriously do the Swiss take their bank secrecy laws? Read on and find out.

THE LAW IS THE LAW

By John Train

"HAVE YOU HEARD about the car thief?" asked my friend the Swiss banker. I shook my head. We were having lunch in the Movenpick in Zurich. Just then, the waiter arrived, so there was an interruption while we ordered rösti, spaetzle, cold vegetable salad and a couple of bottles of Pilsner.

"The car thief?" I inquired.

"Oh yes. Well, he wasn't a car thief at all, of course. He was a technician in the Zurich head office of the Union de Banques Suisses, a certain Herr Stroehlin. He had done well in his career and had bought an old mill in France, in a place called Saillenard-les-Bordes. It's cheaper than Switzerland, and it's far enough away so that he didn't have to act bankerly all day.

"Now, the French had an idea. They thought he'd have to know the real identities of a lot of the numbered-account customers of the UBS. Perhaps they could get him to cooperate.

"So they tried a dirty trick. They got hold of a stolen Alfa-Romeo and surreptitiously stashed it near this fellow's house. Then the French police marched in and accused him of being a car thief. They told him he was in deep trouble, and that he could very possibly spend a considerable stretch in the slammer—not an inviting prospect for a banker.

"Herr Stroehlin was aghast. Finally, he told the French that he couldn't go along with the plan, but that he had a friend who might. The friend, if the price was right, could perhaps provide real names and addresses of numbered accounts. But there would not be any more talk about those stolen cars.

"The French agreed.

"After a lot of cautious telephoning back and forth, there was a very quiet meeting last April 10 at the Hotel Sheraton in Zurich between Herr Stroehlin, his corruptible friend—whose name was Herr Ralf—and two French customs police. Ralf wanted to know just how much he was going to get paid for what, and so on. They made a deal to have another meeting on April 15, five days later.

"There was quite a lot of discussion about exactly where. The French agents didn't want to be doing this sort of business inside Switzerland. The two bankers didn't want to take the information physically into France—they didn't want to have the transaction close to home, and so on. Finally, the police agreed that they didn't have to come to France.

"On April 15, the two French customs policemen appeared in the first-class buffet of the railway station in Basel, which is right on the Swiss-French border. Herr Ralf arrived, but not Herr Stroehlin.

"No sooner had they all sat down in front of a beer than a swarm of Swiss police—30, no less—suddenly grabbed the two French customs policemen. They were hustled off to the city prison, where they were held incommunicado. They had no documents of any sort on their persons, except that one had a slip citing the official provisions for rewarding informers—they get up to 20,000 francs, I think it is. They stayed in jail incommunicado for almost two weeks, until their bosses were notified."

My Swiss banker friend smiled with obvious satisfaction at this turnabout. He took off his gold glasses and rubbed his eyes.

"It seems that Herr Stroehlin had decided to become a double agent. He had gone back to the UBS, all right, but then, getting madder and madder, he'd told the whole story to the Swiss authorities, who were very indignant.

John Train is president of Train, Smith, Investment Counsel, New York, and the author of The Money Masters *and* Dance of the Money Bees.

"The corruptible colleague, Herr alf," continued my friend, "wasn't a anker at all. He was none other than err Ralf Elsner, the chief of security the UBS—in person!

"Of course, it's not so funny for the ench customs policemen," he went n. "We Swiss take these things seriusly. Economic espionage, as it's alled, is an important crime here. ven *attempted* economic espionage n get you 20 years in jail. It's not ke America."

"What do you mean?" I asked, ightly offended.

"In America, from what I read, alost nobody gets really punished for ything, however serious it is. You urder your mother. Your defense as that you were unhappy in kinderrten. So you get a sentence of two ars, with parole after six months.

"Well, here in Switzerland, the law to be *feared*," said my banker friend. We're quite fierce when it comes to ws. Things work better as a result."

I nodded grimly.

"In any event, the French launched big brouhaha: official protests, reats—you can imagine. Obviously, vitzerland ignored all that. We prosted right back. After all, we had ught the French government rednded in an exceedingly crude plot, ry rough stuff. That trumped-up se against the banker!

"So the next step was a decision by e whole corps of French customs lice to stage a protest out of solidar with their two colleagues. They nounced that for one hour a day ey'd refuse to work. All the travelers uld just wait for a while.

"The slowdown didn't do the ench any good, as far as I can see. ey stopped after a while. After all, us, the inviolability of bank secrecy a big issue. In fact, we bankers are t displeased, not at all, at this disay by our government. Bank secrecy ally is eroding, so any manifestation our determination to defend it is od for business."

We both were silent for a while. en my friend's face clouded.

"What could the French have been inking of? Imagine trying to frame official of the Union de Banques isses as a car thief! Of all things. A r thief! No serious banker could posly become a car thief. I don't doubt at we sometimes murder people, e anyone else, or even commit trean. But anything as squalid as steal a car? Utterly unbankerly."

He was so shaken by the thought at he let his coffee get cold. ■

SOME SERIOUS NOTES ON MOVING.

By Victor Borge

When you move, make sure your mail arrives at your new address right after you do.

The key is this: Notify everyone who regularly sends you mail one full month before you move.

Your Post Office or Postman can supply you with free Change-of-Address Kits to make notifying even easier.

One last serious note. Use your new ZIP Code.

Don't make your mail come looking for you. Notify everyone a month before you move.

U.S. MAIL

©USPS 1980

Recent tax changes have made small investors more likely to speculate and large investors more conservative.

TAXES AND TIMING

By Srully Blotnick

TAX considerations play a major role in the thinking of the majority of investors. The issue that matters most to them is the reduced rate at which long-term capital gains are taxed.

How important is it? Very. For the first time, more than half the investors I monitor—574 of 1,100—now say they would withdraw from the securities markets altogether if there were no tax break available to the stockholder or bondholder lucky enough to wind up with a gain in the first place. "I'm paying so much in taxes already," said a 44-year-old production supervisor at an electronics firm in California. "If every gain were treated as a short-term one, I just couldn't play this game."

Inflation has pushed his, and almost everyone else's, annual earnings steadily higher without increasing the purchasing power of the money received. But while his real (that is, inflation-adjusted) earnings have stayed the same, his tax bill has risen nearly 22% in the last four years. Similar pressures are making other investors pay more attention to taxes.

Investors in the higher-income group I survey (median income: $92,000) have always spent more time considering the tax aspects of a transaction before making it. In fact, they mention it as a factor in their thinking nearly four times as frequently as do those in the lower-income group (median income: $24,000) and 2½ times more often than do those in the middle-income category (median income: $56,000). That's to be expected. It was a surprise, though, to see how many investors now consider tax matters so significant a part of their thinking.

Therefore, one question of particular importance is, how have the recent changes in capital gains tax laws affected investor thinking? First of all, did they know about the changes? The more relevant the information, the larger the percentage who were likely to know—83% of the upper-, 63% of the middle- and 48% of the lower-income investors knew that the capital gains holding period was lengthened to 9 months in 1977 and to 12 months from 1978 on. Prior to 1977, it had been 6 months.

Confining our study to those investors in the sample who knew that the tax code changes were taking place at the time (those who didn't could not have been reacting to it), some fascinating results emerged. The evidence shows clearly that the tax changes polarized the investor population, making small investors more likely to speculate and large investors likely to become more conservative.

Why? Before we answer that, consider for a moment what happens when you plan a stock market transaction. Timing is the factor we're focusing on, but that means more than just "when to buy," it also means thinking about "when to sell." Essentially, a speculator is someone whose time frame is short; an investor is someone whose time frame is longer.

Let one lower-income investor, who felt pressured by tax changes to switch from investing to speculating, tell you why he switched—why he shortened his time frame. Here were his exact words: "I can wait 6 months," the 39-year-old buying agent said, "but 9 months is too long. And 12 months is out of the question." We asked: "Why is that?" He replied: "In 6 months, you're still able to catch an up or down move. But in a year, you could go up, down, and up again, or sideways. Who knows? It's too much—you don't know what to expect." He's saying that the tax sa ing that could result from waiti would cost him too much in risk a uncertainty; so he'll take his profi (or losses) and run.

The result? In his case, and ma others, the investor stopped planni altogether. As one put it: "Now I ju take my shot, that's all. Whatev happens, happens." That's not an at tude he had had before.

Other investors, especially larg ones, reacted in an exactly opposi manner. As one, a 56-year-old plasti wholesaler, said when the 9-mon holding period went into effect, "I more careful now, I don't jump quickly." And 14 months later, wh the current one-year holding peri was law: "I worry a lot more than used to. I didn't have to look very f down the road before, and I didn't. B I'm getting to be an amateur econ mist lately. There's much more gues ing to do. That law created plenty jobs—for crystal gazers." He's sayi that when he makes a move now, h figures he's stuck with the cons quences for a long time. So he ac more deliberately. You might thin "Well, that plastics manufacturer w always a conservative guy." Not s He's a real high-roller, or was befo they changed the tax laws.

Overall, what have the changes the tax laws capital gains holding per od done to the markets? The holdin period changes certainly made larg investors more conservative an small investors more inclined to spe ulate. But the effects don't cancel. Th two types aren't present in equa numbers, nor is their wealth th same. The total investment capital the larger investors in my sample e ceeds that of the smaller by a factor 11. For every dollar that was speede up, 11 were slowed down. Congres aim of making investors more lon term and less speculatively oriente was indeed achieved.

A good thing, too. The four specula tive waves we've experienced durin the last two years would have been fa larger, and more damaging, than the were. For instance, once the specula tive frenzy surrounding first the gol gambling and then oil stocks wore of and the stocks plunged, many seller reported they held back, thanks to th holding-period changes. In spite of th dramatic increase in trading volum in the last few years, there's mor stability now than there would othe wise have been. On balance, this wa one piece of tax legislation that did u all some good. ■

Dr. Srully Blotnick is a practicing psychologist and author of Winning: The Psychology of Successful Investing.

This is neither an offer to sell nor a solicitation of an offer to buy these securities. The offer is made only by the Prospectus.

NEW ISSUE

June 5, 1980

$125,000,000

HARRIS CORPORATION

11½% Debentures due June 1, 2010

Price 100%

(Plus accrued interest from June 1, 1980 to date of delivery.)

Copies of the Prospectus may be obtained in any State in which this announcement is circulated only from such of the underwriters as may lawfully offer these securities in such State.

Kidder, Peabody & Co. Incorporated

Merrill Lynch White Weld Capital Markets Group (Merrill Lynch, Pierce, Fenner & Smith Incorporated) — Salomon Brothers

Bache Halsey Stuart Shields Incorporated — Bear, Stearns & Co. — Blyth Eastman Paine Webber Incorporated — Dillon, Read & Co. Inc.

Donaldson, Lufkin & Jenrette Securities Corporation — Drexel Burnham Lambert Incorporated — E. F. Hutton & Company Inc. — Lazard Frères & Co.

Lehman Brothers Kuhn Loeb Incorporated — McDonald & Company — L. F. Rothschild, Unterberg, Towbin — Shearson Loeb Rhoades Inc.

Smith Barney, Harris Upham & Co. Incorporated — Warburg Paribas Becker A. G. Becker — Wertheim & Co., Inc. — Dean Witter Reynolds Inc.

ABD Securities Corporation — Atlantic Capital Corporation — Baring Brothers & Co., Limited — Basle Securities Corporation — Alex. Brown & Sons

Cazenove Inc. — A. G. Edwards & Sons, Inc. — EuroPartners Securities Corporation — Robert Fleming Incorporated — Hudson Securities, Inc.

Kleinwort, Benson Incorporated — Ladenburg, Thalmann & Co. Inc. — Moseley, Hallgarten, Estabrook & Weeden Inc.

New Court Securities Corporation — Oppenheimer & Co., Inc. — Wm. E. Pollock & Co., Inc. — Stuart Brothers

Thomson McKinnon Securities Inc. — Tucker, Anthony & R. L. Day, Inc. — Wood Gundy Incorporated

Advest, Inc. — American Securities Corporation — Arnhold and S. Bleichroeder, Inc. — Bateman Eichler, Hill Richards Incorporated

Sanford C. Bernstein & Co., Inc. — William Blair & Company — Blunt Ellis & Loewi Incorporated — J. C. Bradford & Co.

Crowell, Weedon & Co. — Dain Bosworth Incorporated — Daiwa Securities America Inc. — First of Michigan Corporation

Interstate Securities Corporation — Janney Montgomery Scott Inc. — Neuberger & Berman — The Nikko Securities Co. International, Inc.

Nomura Securities International, Inc. — The Ohio Company — Piper, Jaffray & Hopwood Incorporated — Rauscher Pierce Refsnes, Inc.

The Robinson-Humphrey Company, Inc. — Rotan Mosle Inc. — Wheat, First Securities, Inc.

Yamaichi International (America), Inc. — The Chicago Corporation — Craigie Incorporated — Ferris & Company Incorporated

Investment Corporation of Virginia — Laidlaw Adams & Peck Inc. — Moore & Schley, Cameron & Co. — Parker/Hunter Incorporated

Scherck, Stein & Franc, Inc. — Stern Brothers & Co. — Stone & Youngberg — Underwood, Neuhaus & Co. Incorporated

Burton J. Vincent, Chesley & Co. — Burgess & Leith Incorporated — First Equity Corporation of Florida — Freeman Securities Company, Inc.

A. E. Masten & Co. Incorporated — Morgan, Keegan & Company, Inc. — New Japan Securities International Inc. — W. H. Newbold's Son & Co., Inc.

Raffensperger, Hughes & Co. Incorporated — R. Rowland & Co. Incorporated — Sanyo Securities America Inc. — Thomas & Company, Inc.

WHICH
NO LOADS
(no broker fee)
ARE EXPECTED TO PERFORM BEST IN THE YEAR AHEAD?

GROWTH FUND GUIDE is a service that tells you what it thinks and why. No doubletalk.

CURRENT ISSUE contains 24 pages of forecasts, ratings, charts, risk ratios & strength studies on what are believed to be the nation's top NO-LOAD (no broker fee) funds. Aggressive, Growth, Quality, Cash Haven and Special Situation Funds (gold, mergers, instant switch funds) are all covered. See which NO-LOADS are now leading the way up in each classification.

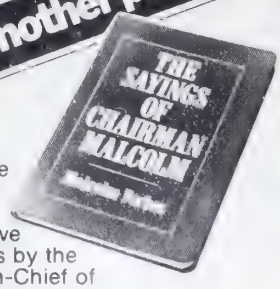
SPECIAL $1 OFFER
will bring you immediately by return mail
Our current issue ..... **Reg. $4.75**
+ Bonus report No Load vs. Load **Reg. $3.50**

Simply mail this ad and $1 to
GROWTH FUND RESEARCH, INC.
Growth Fund Research Bldg.
Yreka, Calif. 96097

GROWTH FUND GUIDE
THE INVESTORS GUIDE TO DYNAMIC GROWTH FUNDS

"Those who enjoy responsibility usually get it; those who merely like exercising authority usually lose it."
from The Sayings of Chairman Malcolm

Yet another printing!



For the complete volume of 530 perceptive thoughts by the Editor-in-Chief of Forbes Magazine, send $7.95 in check or money order, plus $1.00 for postage and handling, to Harper & Row, M.O. No. 1235GG, 10 East 53rd St., New York, N.Y. 10022. Please add applicable sales tax.

A tax cut is sure to come as cries of "The elections are coming!" echo through the Capitol. It may not be a reason to cheer.

THE LIVIN' AIN'T EASY

By Ann C. Brown

ONE of the quaint things about New York is never being able to buy clothing in the appropriate season. Take a scorching early July day when you desperately need a new T-shirt or bathing suit and you'll find the stores stocked with winter woollies. Because of our proximity to the garment industry, we city folk are treated to a preview of coming fashion attractions before the rest of the country. And just wait until you get a load of the prices this year. Rack upon rack of women's blazers at $350 with matching skirts at $250. A man's shirt—$25 to $30—and overcoats for himself start at $450. These tickets come from department stores, too—not those classy little foreign boutiques where you talk softly and carry a big wallet.

Over the past several years the prices of necessities have risen far faster than wage increases, especially when you stop to consider that wages are subject to all kinds of taxes. Young people have seen the possibility of owning a home slip into never-never land. The middle-aged are hocking their future to pay for the present—like educating their children. And older persons on fixed incomes are losing the battle to preserve the purchasing power of monies they saved during their working years.

Any day now, as unemployment continues to rise, you can bet you'll hear calls for tax cuts echoing through the halls of the Capitol. "The elections are coming! The elections are coming!" cry the revered members of Congress. And tax cuts there will be. Almost certain to go (or at least to be postponed) is next year's scheduled rise in the Social Security tax. What probably won't pass will be tax cuts for business designed to spur investment in new plants and equipment, which would increase productivity and thus help to lower the inflation rate. Sadly, corporations don't vote.

If I were running things, I would give greater tax relief to those persons buying their first permanent residence: This would be an investment in the fundamental capitalist concept of private property. I would give parents realistic tax assistance in educating their children: This would be an investment in the future of the nation. Finally, I would eliminate income taxes due on interest and dividends up to a maximum of $5,000 per year for persons over 65, or those currently receiving Social Security or disability payments: This would be an investment in human dignity as well as tangible appreciation for past work and savings. In case you're wondering where these tax-cut monies would come from, say bye-bye to the $10 *billion* do-nothing Department of Energy, and at least half of the estimated $90 billion it costs annually for government to regulate business.

Consumer demand for goods and services should be at a subdued level for the remainder of the year and possibly into 1981 as individuals continue to build up their savings and reduce their debt due to rising concerns about layoffs and out-and-out firings. Prices will continue to rise but at a more moderate rate than earlier in the year, but after the recent spending binge, many people can live off their own inventories for a good while.

By allowing interest rates to soar to usurious levels, the Federal Reserve succeeded in breaking the back of "expectationary inflation," and Mr. Carter broke the consumers' spirit by his abrupt and unnecessarily harsh imposition of credit controls. It's a good thing the Democrats didn't

Ann C. Brown is executive vice president of the New York investment firm of Melhado, Flynn & Associates.

oose Detroit for this year's convenn. New York will be bad enough d, considering the gambles the Adnistration has taken lately, Las Ve- would have been a more apt oice.

Thanks to the steep drop in interest es, plus creeping OPEC prices, the stocks I recommended as good ys in my last column (FORBES, *June* nave appreciated an average of over % as of this writing. From here on e magnitude of increase should be newhat smaller as investors await e results of second-quarter corpoe earnings, which, in most cases, ll make for less cheerful reading n those of the first quarter. Noneeless, I would continue to hold seted domestic natural resource and ergy-related stocks. The Middle st problem won't go away, and ngs in the Arabian deserts could ily go bump overnight.

Two newcomers to my ever-lengthng list of underground asset favors are *Texas Oil & Gas* (46) and *Apache p.* (25). Neither stock is cheap on a rrent price/earnings basis, but both mpanies have very interesting fue prospects. Texas Oil & Gas is marily involved in gas gathering d processing, in addition to oil and exploration and production and ntract drilling. Although most of e company's gas prices are still gely controlled, the controls are to relaxed each year until they are ased out completely in 1985. In the antime, Texas Oil & Gas is profit handsomely from the rapid expan- n of its natural gas liquids business. e company is spending barrels of oney to expand its facilities, and veral new plants should be operonal by the end of 1980. For the cal year ending this August, earngs per share are estimated to be 25, up from $2.25 a year ago. For cal 1981, $4.50 looks attainable.

Apache Corp. is primarily an oil d gas company, with a special inest in deep drilling for gas. While risks and costs of deep drilling are at, the rewards for success are nmensurate since gas discovered re than 15,000 feet below the sure is free from federal price ceilings. eep gas now sells for around $5 per usand cubic feet, *vs.* $2.40 for conlled gas.) Adjusted for a 3-for-2 it this past April, Apache Corp. ld show earnings for the year of 35 per share. Next year is anydy's guess. However, I've heard as ch as $2 per share in 1981—and ssibly $3 per share in 1982. ■

Value Line looks at . . .

STOCKS PRICED BELOW NET WORKING CAPITAL

And at discounts up to 78% off tangible book value

These are very special situations—something like cash at a discount. The per-share *liquidating values* of these stocks are greater than their recent market prices.

A company's *net working capital* is the current assets (cash and equivalents) that would remain if ALL liabilities and preferred stock were to be retired.

Of 1700 stocks under review by The Value Line Investment Survey, we now pinpoint 42 stocks—including some big names—currently selling *below* net working capital per share (Value Line 6/13)... and as much as 78% below tangible book value per share.

SPECIAL STOCK SELECTORS

The list of stocks in the above category will come to you automatically under the offer below... along with several other Special Stock Selectors now updated every week in the expanded Value Line Survey, including:

HIGHEST YIELDS—The yields recently ranged from 10.7% to 16.0%.

HIGHEST APPRECIATION POTENTIAL—The potentials recently ranged from 265% to 780% (Value Line 6/13).

MOST TIMELY STOCKS—The 100 stocks currently ranked 1 (Highest) and the 300 ranked 2 (Above Average) by Value Line for Probable Price Performance in the Next 12 Months—*relative* to all 1700 stocks under regular review.

CONSERVATIVE STOCKS—The stocks ranked 1 (Highest) and 2 (Above Average) for Safety—*relative* to all 1700 stocks.

SPECIAL INVITATION

Value Line is offering a special introductory 10-week trial subscription to the Value Line Investment Survey for only $33—about half the regular price—providing you or any member of your family has not had a subscription in the past two years. As a double bonus at no additional charge, you will receive the 2000-page Investors Reference Service (covering more than 1700 stocks) which will be updated every week—and the 96-page booklet, "Evaluating Common Stocks." Filing takes less than a minute a week. All this material is so organized in your binder that you can quickly turn to a continually updated report on almost any leading stock.

Send your check or money order along with your name, address and zip code together with this ad to:

THE VALUE LINE INVESTMENT SURVEY
ARNOLD BERNHARD & CO., INC., 711 THIRD AVE., NEW YORK, N.Y. 10017

816C07

☐ Begin my 10-week trial to The Value Line Survey (limited once to any household every two years) and send me the two bonuses listed above. Check for $33 is enclosed. (Trial subscriptions must be accompanied by payment.)

SPECIAL EXTRA BONUS
A famous-make pocket-size CREDIT CARD/CALCULATOR (with full memory) given to you when you order The Value Line Investment Survey for one year—and send payment now.

☐ 1 year for $330. My payment is enclosed—send me the CALCULATOR as my extra special bonus. (There are no restrictions with this annual subscription.)

☐ Enter my subscription now. Bill me for $330. (Does not include the calculator.)

SIGNATURE

NAME (please print)

ADDRESS APT. NO.

CITY STATE ZIP

GUARANTEE: If dissatisfied for any reason, I may return material within 30 days for full refund of the fee I have paid. Subscription tax-deductible and nonassignable. Foreign rates on request. (NY residents add sales tax.)

News, like beauty, is often in the eye of the beholder.

People who read TIME regularly, subscribe not only to a magazine but to an idea: that news is as likely to be made under a proscenium arch as at a conference table; as likely to be made under a microscope or in the mind of a painter as at the polls or on the battlefield.

That's why each week in TIME you'll find a range of departments devoted to such diverse subjects as Theatre, Environment, Law, Books, Art, and Medicine.

It is TIME's fascinating coverage of news less urgent but no less newsworthy that has made TIME unique.

And it is this conviction that reportage is a matter of sensibility as well as sense that has earned for TIME more loyal readers, by far, around the world, than any other single news source.

The most colorful coverage of the week.

© Time Inc. 1979 All Rights Reserved

Forbes/Index

f companies covered in news stories and by the columnists in this issue.

....76
fe & Casualty 69
nanson & Co 60
nds 38
Ger.) 85
n Airlines 46
n Hoechst (W. Ger.) 83
....147
erica 53, 136
Federal S&L 136
ann (W. Ger.) 83
....38
....36
....22
int 54
Broadcasting Network 116
World 117
....27
....53
rvice 22
deral S&L 136
la 8
icut General Insurance 16
ntal 69
Forster 69
Benz (W. Ger.) 8
s of America 16
e Bank (W. Ger.) 84
quipment 42
....16
Air Lines 46
....41
Financial 60
Home Loan Bank
Francisco 136
ly) 128
Fidelity Bank 113
Financial Federation 60
First Security 49
Ford Motor 8, 27, 128
Fuji Photo Film (Japan) 41
GK Technologies 70
General Dynamics 39
GE 83
General Mills 8
GM 8, 132
Getty Oil 16
Gibraltar Financial 60
Great Western Financial 60
David J. Greene & Co 60
Imperial 60
Intel 42
IBM 41
Johnson & Johnson 138
Kemper 60
Korf Inds (W. Ger.) 83
Lazard Frères & Co 60
Lockheed 38
J. Ray McDermott 36
MCA 56
McDonnell Douglas 38
Merrill Lynch 60
3M 138
Mr. Fine Inc 74
National Distillers & Chemical 44
N.Y. Times 28, 29
Nissan (Japan) 70
PACCAR 74
PSA 46
PTL Television Network 116
Panhandle Eastern Pipe Line 45
Pebble Beach 70
Procter & Gamble 138
Pro-Motion 74
Pullman 36
Raybestos-Manhattan 76
Reliance Group 60
Republic Airlines 46
Ricoh (Japan) 41
SAFECO 64
St. Paul 69
Santa Fe Intl 70
Savin 41
SEAT (Spain) 128
Shearson Loeb Rhoades 70
Siemens (W. Ger.) 83
Syngas 45
Target Publishers 42
Tengelmann (W. Ger.) 85
Texas Oil & Gas 147
Thompson CSF (France) 41
Thyssen A.G. (W. Ger.) 36
Tiger Intl 70
Time 83
Tonka 70
Toyota (Japan) 70
Trans World 46
Trinity Broadcasting 116
UAL 46
US Air 46
U.S. Steel 45
Valley Federal S&L Assn 136
Viking Press 28
Volkswagen (W. Ger.) 27, 83
Western Air Lines 46
Wienerwald Holding (W. Ger.) 85
Xerox 40
Zions First Natl Bank 49

Do you know anybody who is somebody in business who does not read Forbes Magazine?

Forbes: Capitalist Tool®

CAPITAL TO INVEST

CREATIVE FINANCING
Financial guarantees
Irrevocable letters of credit
Funds to open escrows
Standbys-Takeout-Permanent loans
Real estate or venture capital
BROKERS PROTECTED
SEND PACKAGES TO:
BANCOR LTD.
567 San Nicolas Dr. Suite 206
Newport Beach, CA 92660
714/640-1633

BUSINESS SERVICES

KING OF 800's
A NATIONAL TOLL FREE ANSWERING SERVICE
100 calls per mo for $25 per mo
Call toll free for information
The store that never closes
1-800-327-9009
"TOLL FREE AMERICA INC"

EXECUTIVE SERVICES

NECKTIE NARROWING
NECKTIES RECUT & RESHAPED to the new narrower width—
$4.50 per tie 4 tie minimum
Send for free tie mailer or mail direct. **Satisfaction guaranteed**
ROBLIN TIEMASTER
190E Glen Cove Avenue
Glen Cove, NY 11542

AVIATION

SAVE $100,000 ON NEW CESSNA CITATION I, SP.
To be delivered by factory in September, 1980.
Call Homer Lane for details.
(602) 257-1234

BUSINESS CONNECTIONS

ARAB BUSINESSMEN HAVE MONEY TO BUY & INVEST
Top Finders Fees Paid
Finders Inquiry Invited
Write Box A196 Forbes
60 Fifth Avenue
New York, NY 10011

FORBES BINDERS

SLIP CASES OR BINDERS
for a year of **Forbes** magazine.
In red and gold leatherette.
Slipcases: $4.95; three for $14
Binders: $6.50; three for $18.75
Send check with your name and address to:
Jesse Jones Box Corp.
Dept. FB, P.O. Box 5120
Philadelphia, PA 19141

COURSES/SEMINARS TRAINING PROGRAMS

LAW STUDY THROUGH CORRESPONDENCE —
Qualify to become an attorney in some jurisdictions.
For free information
phone toll free 1-800-423-4530
Cal. res. phone 213-795-5558
or write: **Southland University,**
69 North Catalina,
Dept. H3, Pasadena, CA 91106.

TOTAL MIND POWER
(HOW TO USE THE OTHER 90% OF YOUR MIND)
free booklet
TOTAL MIND POWER INSTITUTE
#4, LARKSPUR, CA 94939

HOW TO ADVERTISE IN FORBES CLASSIFIED

REGULAR CLASSIFIED LISTINGS: All listings are accepted at the discretion of the Publisher. Line rate is $22.30. Minimum size ad is one inch (14 agate lines) costing $312.20. FORBES will typeset without charge.

DISPLAY CLASSIFIED ADVERTISING: Line rate is $21.90. Minimum size for display of two inches (28 agate lines) costing $613.20. Must be submitted as film negative or camera-ready mechanical to size. For specific requirements send for order form.

Box numbers provided on request. There is no charge for mailing service on blind ads.

FORBES CLASSIFIED is published in the first issue of each month. Advertising closing date is one month preceding date of issue.

Frequency discounts available. Payment must accompany order unless from accredited agency.

FOR ADDITIONAL INFORMATION WRITE OR CALL:

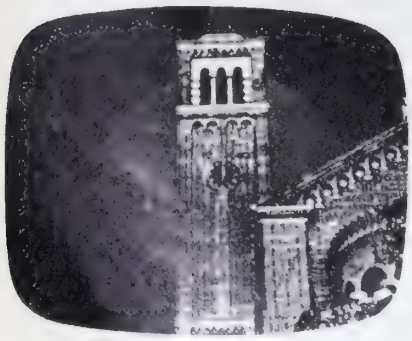
SARAH MADISON
FORBES CLASSIFIED
60 FIFTH AVENUE/NEW YORK, NY 10011
(212) 620-2371

RECREATIONAL VEHICLES

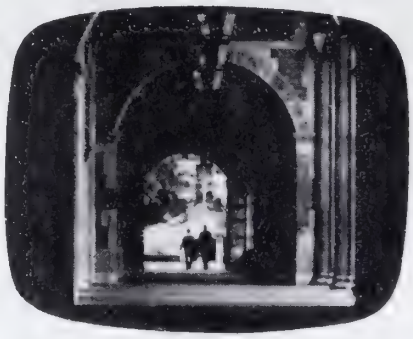
MOTOR HOME RENTALS
Rent-A-Bird
"A Blue Bird Wanderlodge"
at
Holland Motor Homes
733 Michigan Avenue
Holland, MI 49423
(616) 396-1461
SALES — RENTALS — LEASING

MISCELLANEOUS FOR SALE

GENUINE GEMSTONES AND JEWELRY
Free wholesale catalog.
Satisfaction guaranteed!
Member Jewelers Board of Trade.
Chamber of Commerce
HOUSE OF ONYX
No. 1 MAIN ST.
GREENVILLE, KENTUCKY 42345
TOLL FREE SERVICE 1-800-626-835



The colleges are in deep financial trouble.



They're having to drop courses, fire professors, close laboratories and limit libraries.

They desperately need your help. So give them a hand today...for a better tomorrow.

CFAE Council for Financial Aid to Education Inc
680 Fifth Avenue New York N.Y. 10019

Ad Council A Public Service of This Magazine & The Advertising Council

Make America smarter.
Give to the college of your choice.

REAL ESTATE

Treehouse

Assemble This Unique Home
In A Few Weeks
For Price & Construction
Package Information Send $4.00 To:

Topsider Homes
P.O. Box 849 F
Yadkinville, N.C. 27055
919-679-8846

BEAUTIFUL MOUNTAIN RANCH

cated on the North Fork of the sselshell River. 8,568 deeded acres g in a block between two moun- ranges adjoining U.S. Forest. ved access to the ranch. This is a hly productive cattle operation that has some of the best fishing and game hunting in this area of Mon- a. Price includes all cattle and ipment (and five head of buffalo). 100,000 with seller financing.
Brochure on request
to qualified prospects

ALL AND HALL INC.
P.O. Bo 1924
Billings, Montana 59103
(406) 252-2155

ILTON HEAD ISLAND, S.C. OCEAN FRONT VILLA

$6900 DOWN
$68,900 FULL PRICE
90% Financing.
Fully furnished
OCEAN FRONT VILLA
on Hilton Head Island.
CALL COLLECT
5) **803-785-8666**

TAHITI

Twin Tahitian houses, a sea- front home, a hilltop home, 35 miles from Papeete, on Tahiti, Iti . . . Paradise setting, 7½ + acres, formerly Zane Grey's ishing camp, available for im- mediate occupancy. Offered at $350,000 U.S., fully equipped.
Box A195 Forbes
60 Fifth Avenue
New York, NY 10011

FREE CATALOG

. . . Free SUMMER 1980 Catalog cribes and pictures more than 2,700 ns, ranches, acreages, recreational perties, businesses, town and coun- homes in 43 states coast to coast! ase specify type and location pre- ed.
UNITED FARM AGENCY
612-Y W. 47th Street
Kansas City, MO. 64112

ALABAMA ESTATE

sale, 680 green wooded acres & es, 30min S of B'Ham 2 mi off ay. 14rm show place new brick ne. Landscaped with lge boxwoods, helias, dogwoods under longleaf es. 1½mi paved ftge. Terms. For ails contact: **E. A. McKnight**, 1598 ntgomery H'Way, Birmingham, . 35216, ph 205/938-2335 (after n).

BUSINESS OPPORTUNITIES

BE A TAX CONSULTANT

Income unlimited in ever growing profession Our students are earning lucrative fees in dignified full or part time home office business preparing income tax returns during busy tax season. Many operate profitable Business Tax Service with steady monthly fees of $10-$50 No bookkeeping experience necessary. We train you at home and help you start. Licensed by N.Y. Education Dept. No agent will call. Write for free literature. Accredited Member NHSC. Approved for Vet Training. A home study school

NATIONAL TAX TRAINING SCHOOL
Monsey, 88GM, N.Y. 10952

MAIL ORDER DEALERS

Beautiful new book on Exotic Sports. Latest info on most unusual sports. Beautifully illustrated. Buy book for 50 cents—sell for $5.00 or more. Send $1.00 for Sample and Buying details to: **BARONBROOK PUBLISHING,** 2311 Pontius Ave., Suite B-917 Los Angeles, CA 90064

Petrogram Services offers a new Concept in filing for oil & gas leases. $15 per filing period brings you instructions, materials & geological recommendations. For free brochure contact: **Petrogram Services, 2300 Candelaria, Albuquerque, NM 87107; (800) 528-6050 Ext. 1980.**

REAL ESTATE

FLORIDA LAND

In Horse country (near Ocala): 600 acres, irrigated soy beans, corn, vegetable farmland with 1¼ miles paved frontage. Will divide.

On St. Johns River: 30,000 acres undeveloped land, 18 miles east of Orlando, between State Roads 46 & 50. Contact owner:

NORRIS COMPANY
P.O. Box 1088, Ocala, Fla. 32670
(904) 622-7151

AGGRESSIVE REAL ESTATE PROFESSIONAL

Will locate—purchase—finance —remodel & resell houses in your or your client's name for share of profits.
10-year success record.
ART GROESBECK
(213) 274-7171)

REAL ESTATE

We specialize in the sale of row-crop farms, timberland, cattle ranches, and development land in Northwest Florida and Southwest Georgia area. Contact **Southern Agricultural Consultants, Inc.** P.O. Box 3471, Tallahassee, FL 32303. Telephone 904/385-2116.

BUSINESS OPPORTUNITIES

Carvel®
Since 1934

INVENTORS OF THE PATENTED CARVEL ICE CREAM MACHINE AND THE ORIGINATOR OF THE ICE CREAM LICENSING INDUSTRY

SEEKS QUALIFIED INVESTORS FOR AREA LICENSES IN MAJOR U.S. & FOREIGN MARKETS.

MINIMUM
$1,000,000
INVESTMENT

PRINCIPALS ONLY

Reply to:
CARVEL CORPORATION
4151 State Road 84 - Dept. E
Fort Lauderdale, Fl. 33314
or call toll free
800-327-2754

FREE MONEY REPORT

5,000 unique money sources for new or existing businesses at very competitive rates. Lucrative, prestigious business opportunities also available. Work your own hours. No experience necessary. Proven success formula. National company will assist every way possible. Write: **DFC,** Dept. 43-B-7, 1145 Reservoir Avenue, Cranston, Rhode Island 02920.

INCORPORATE in Tax Free Nevada! (Beats the pants off Delaware)

Nevada offers the best tax advantages of all 50 States! You owe it to yourself, business, & your family to send for these FREE exciting facts . . .

Corporate Agents of Nevada, Inc.
1009 N. Curry St. (Suite 7-F)
Carson City, Nev. 89701 (702) 883-2174

WIN BIG OIL MONEY

Plus Tax Benefits

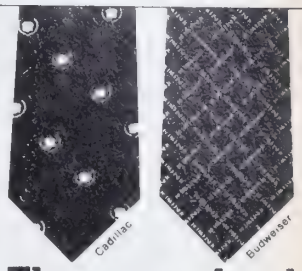
The U.S. Government sponsors a little-known oil and gas lease drawing. If you are 21 and a citizen you can compete for a fortune in oil. A $25 (tax deductible) filing fee could bring you $100,000 immediately, plus possible payments. For free information Call Toll-Free 1-800-525-2541 Ext 8, in Colorado Call Collect 1-447-1399 Ext 8. Or Write

F. Milligan, inc.
1942 20th St. Drawer 3408FM
Boulder, CO 80307

TREASURE SALVAGE EXPEDITION

World's Largest Treasure Salvage Corporation is seeking brokers/agents to complete funding a Limited Partnership to recover over $300 million from sunken Spanish galleons. Exclusive government contracts. 167 & 65' salvage vessels on site in Caribbean. Thousands of artifacts, coins already recovered. For details contact: **Seaborne Ventures Inc., P.O. Box 1054F, Key West, FL 33040.**

EXECUTIVE GIFTS



The new school of thought in old school ties.

The new school prefers its corporate pride to be stated with taste and subtlety. That is why Hampton Hall develops a fashionable, versatile dignity into every custom design. Ask for our free brochure showing such exclusive creations in ties and scarves.
Minimum order 150.

Hampton Hall, Ltd.
corporate fashion
51 East 42nd Street • Department FB-7
New York, N.Y. 10017 • (212) MU 7-6810

AUTHORIZED **TRS-80®** DEALER A301
COMPUTER SPECIALISTS

Up to
15% Discount
on TRS-80's

26-1051 4K LEVEL I $424.00
26-1056 16K LEVEL II $715.00

1-800-841-0860 TOLL FREE

MICRO MANAGEMENT SYSTEMS, INC.
Downtown Plaza Shopping Center
115 C. Second Ave., S.W.
Cairo, Georgia 31728
(912) 377-7120 Ga. Phone No.

TRS-80 COMPUTERS

As a Radio Shack® Authorized Sales Center owned & operated by Pan American Electronics, Inc., we can sell them for less. *No taxes* collected on out-of-state shipments. *We pay* shipping & insurance.
TOLL FREE 800/531-7466
Texas & Main No. 512/581-2765
1117 Conway, Mission, Texas 78572

HEALTH CARE

RESIDENCE FOR CHRONIC PSYCHIATRIC PATIENTS

A new residential program for recently hospitalized long-term psychiatric patients will start in Philadelphia this summer. Situated in a handsome fieldstone home, this specialized program promoting each resident's independence and skills, will be under the guidance of Friends Hospital, America's first private nonprofit psychiatric hospital, founded by Quakers in 1813. Thirteen patient limit. $80 per diem. For more details write **Diane Attenborough, R.N., Greystone House, Friends Hospital, 4745 E. Roosevelt Boulevard, Philadelphia, PA 19124. (Phone 215-831-4600.)**

Forbes: Capitalist Tool®

One out of every 7 FORBES subscribers is a millionaire

Thoughts
on the Business of Life

To know how to dissemble is the knowledge of kings.
RICHELIEU

When was truth so beautiful that it could be preferred to a magnanimous life?
TORQUATO TASSO

The aim of the liar is simply to charm, to delight, to give pleasure. He is the very basis of civilized society.
OSCAR WILDE

I defy any man to deceive me. He would have to be a real rogue to be as bad as I imagine him.
NAPOLEON

Trust that man in nothing who has not a conscience in everything.
LAURENCE STERNE

A Text . . .

Where no wood is, there the fire goeth out: so where there is no tale-bearer, the strife ceaseth.
PROVERBS 26:20

Sent in by Bob McCauley, Oak Harbor, Wash. What's your favorite text? The Forbes Scrapbook of Thoughts on the Business of Life is presented to senders of texts used.

Much industry and little conscience make a man rich.
JOHN RAY

I will have nought to do with a man who can blow hot and cold with the same breath.
AESOP

One lie will destroy a whole reputation for integrity.
BALTASAR GRACIÁN

Without loyalty nothing can be accomplished in any sphere. The person who renders loyal service in a humble capacity will be chosen for higher responsibilities, just as the Biblical servant who multiplied the one pound given him by his master was made ruler over ten cities, whereas the servant who did not put his pound to use lost that which he had.
B.C. FORBES

Few things help an individual more than to place responsibility upon him and to let him know that you trust him.
BOOKER T. WASHINGTON

Cunning and treachery are the offspring of incapacity.
LA ROCHEFOUCAULD

The most exhausting thing in life, I have discovered, is being insincere. That is why so much social life is exhausting; one is wearing a mask.
ANNE MORROW LINDBERGH

Principles become modified in practice by facts.
JAMES FENIMORE COOPER

The secret of a good life is to have the right loyalties and to hold them in the right scale of values.
NORMAN THOMAS

More than 3,000 "Thoughts," indexed by author and subject, are available in a 574-page book at $11.95. Send check and order to: Forbes Inc., 60 Fifth Ave., New York, N.Y. 10011. Add appropriate sales tax on New York State orders.

In politics, as in high finance, duplicity is regarded as a virtue.
MIKHAIL A. BAKUNIN

What is the new loyalty? It is, above all, conformity. It is the uncritical and unquestioning acceptance of America as it is.
HENRY STEELE COMMAGER

A little rebellion now and then is a good thing.
THOMAS JEFFERSON

The strongest bulwark of authority is uniformity; the least divergence from it is the greatest crime.
EMMA GOLDMAN

Every country has the government it deserves.
JOSEPH DE MAISTRE

The hottest places in Hell are reserved for those who, in a period of moral crisis, maintain their neutrality.
DANTE

The greatest glory of a freeborn people is to transmit that freedom to their children.
WILLIAM HARVARD

The humblest citizen of all the land, when clad in the armor of a righteous cause is stronger than all the hosts of error.
WILLIAM JENNINGS BRYAN

The love of liberty is the love of others; the love of power is the love of ourselves.
WILLIAM HAZLITT

Hypocrisy, by acquiring a foundation of credit in smaller matters, prepares for itself the opportunity of deceiving in greater.
LIVY

Jameson Irish

"~~Scotch~~ and water."

If you like fine Scotch, you'll love light, imported Jameson Irish.

Try a glass of Jameson Irish the way you would your favorite Scotch. With water. Soda. On the rocks.

You'll notice how much it tastes like fine Scotch—only lighter and more delicate.

The dedicated Scotch drinker will instantly appreciate this flavor difference.

Though it may take a little time getting used to saying, "Jameson Irish and water, please."

Jameson. World's largest-selling Irish Whiskey.

80 PROOF • CALVERT DIST. CO., N.Y.C.

Put your cash management needs on paper. Then challenge Citibank to work them out.

©Citibank 1980 Citibank, N.A. Member

Every business has different cash management needs—including yours. So, tell us *exactly* what you want in a cash management system. The CitiCash Manager is so adaptable that we're sure you won't be disappointed.

A special dimension in cash management.

Citibank's cash management experts work with you to co-design the ideal system for the way you do business. Then your CitiCash Manager team makes sure it works at full potential.

Behind it—your cash management team.

The heart of your CitiCash Manager is a permanent team that operates at a unique workstation. This team knows your account thoroughly and it provides day-to-day continuity for you—in depth.

At the push of a button, your Workstation Manager's name and phone number will appear on the terminal in your own office. He or she is a thoroughly trained professional with detailed knowledge of your account. And, because the Manager and your team have direct access to information, many of your questions can be answered with one phone call.

The capabilities you need.

Of course, you get the technical advantages you would expect from Citibank. Like up-to-the minute reporting of transactions so you can reconcile your accounts on a real-time basis and the ability to transfer funds automatically. You can be connected to your accounts in Citibank worldwide as well as to accounts in your other banks. The CitiCash Manager system provides 35 day historical retrieval of information, instantaneous hard copy confirmation of all transactions, including statements of your accounts. CitiCash Mana has the design flexibility to handle just about any requirement you have.

Follow the leaders.

Discover why six of the top ten companies in Fort 500—and many smaller companies—have chosen Citi Manager.

Citibank's commitment.

Citibank is committed to finding practical solutio the growing challenges in corporate cash management cover what innovative electronic banking can mean to operating efficiency—and to your bottom line.

Help us design your ideal system.

Tell us about your unique cash management need and we can begin to co-design a CitiCash Manager system just for you. We can even set up a demonstration right in your office. For more information, just contact your Citibank account manager, or Ken Hines, Senior Vice President, Citibank, 399 Park Avenue, New York, N.Y. 10043, phone (212) 559-1460.

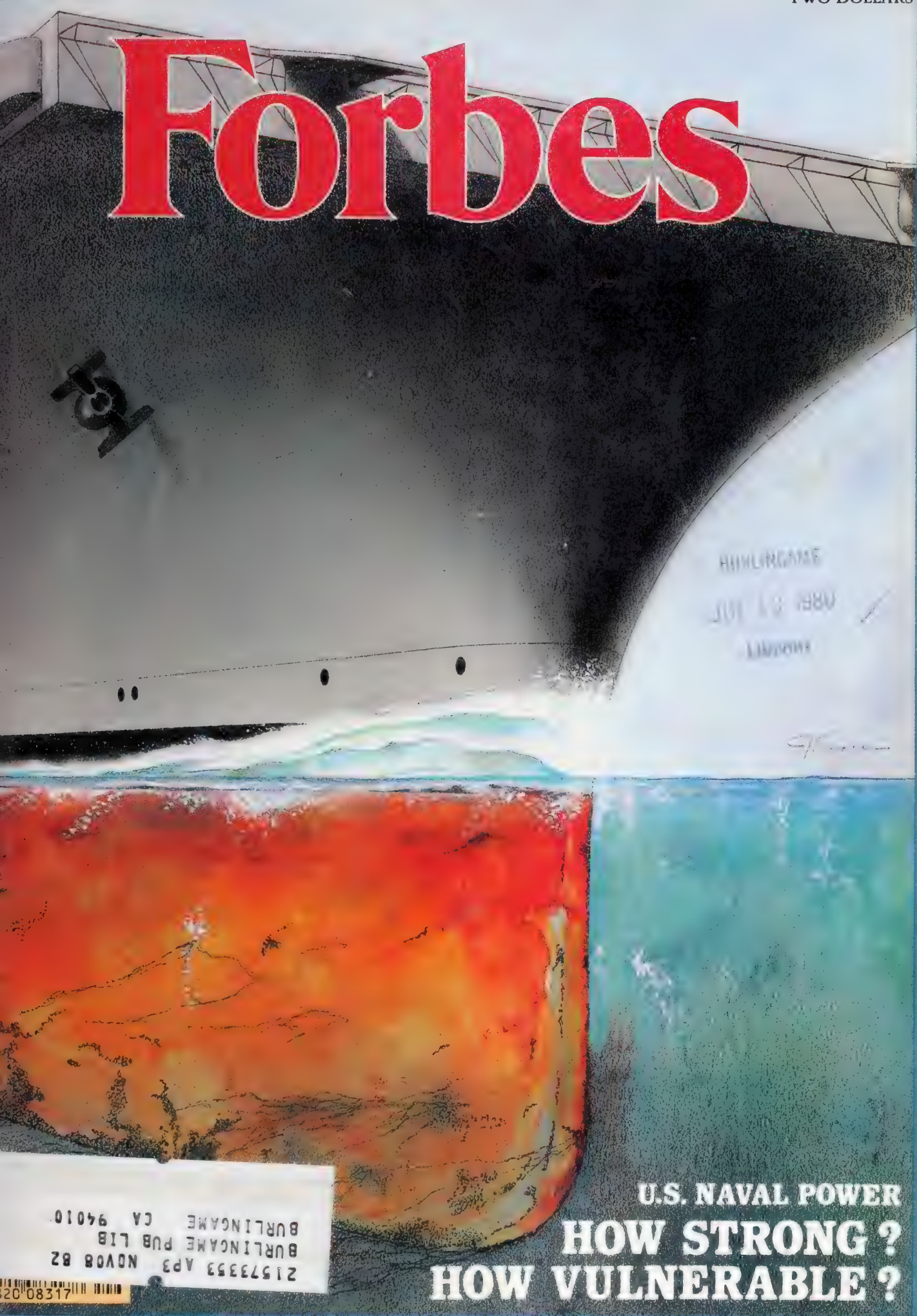
CitiCash® Manager

You are the main component.

CITIBAN

TWO DOLLARS

Forbes



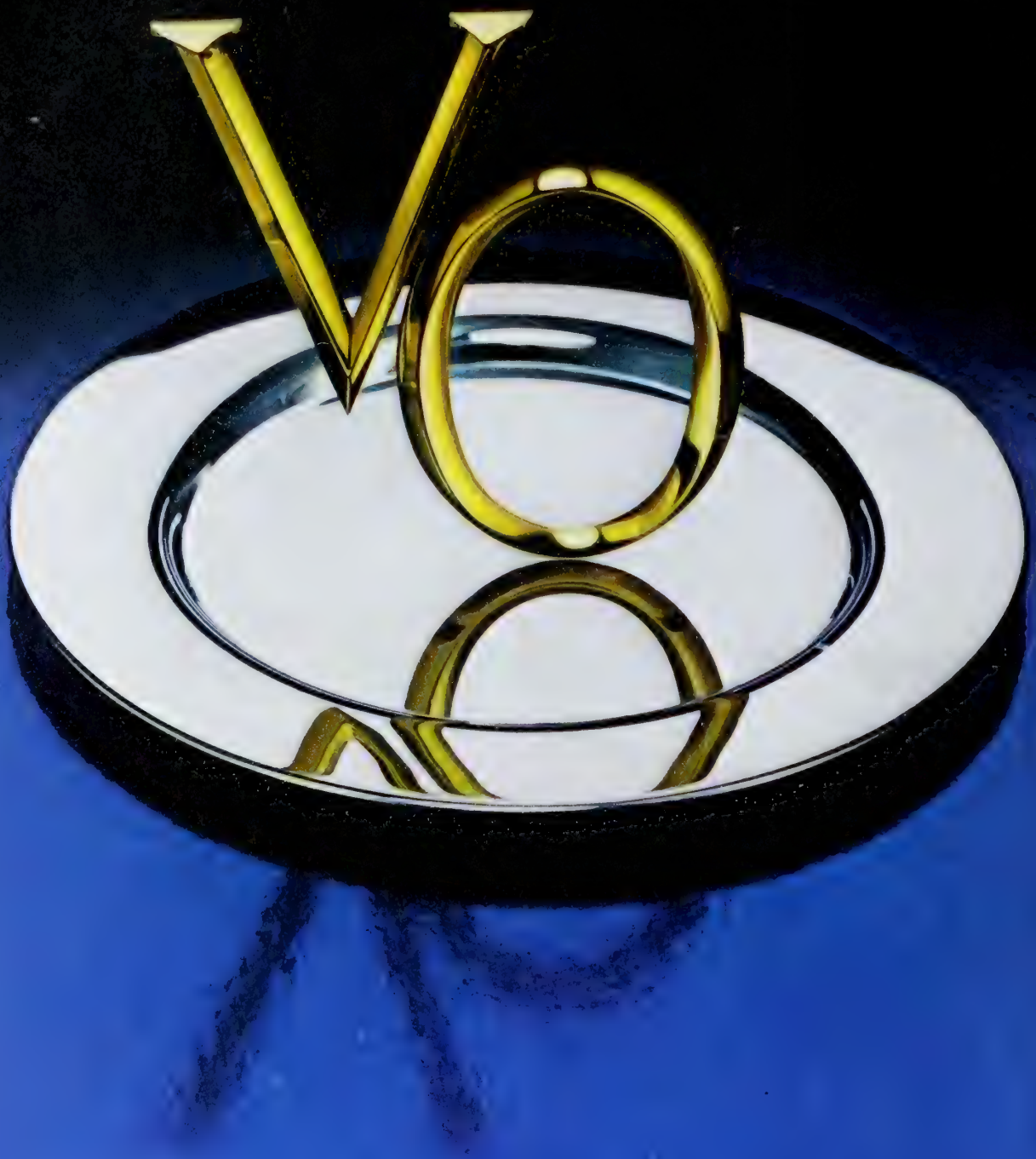
U.S. NAVAL POWER
HOW STRONG ? HOW VULNERABLE ?

HIGHLANDS
JUL 13 1980
LIBRARY

21573353 AP3 NOV08 82
BURLINGAME PUB LIB
BURLINGAME CA 94010

320 08317

Treat yourself like company.



Seagram's V.O.
The symbol of imported luxury. Bottled in Canada.
Enjoy our quality in moderation.
Canadian whisky. A blend of Canada's finest whiskies. 6 years old. 86.8 Proof. Seagram Distillers Co., N.Y.C.

ightweight aluminum auto parts. Because merica needs more miles per gallon, today.

ny of the 208 different weight-ing aluminum parts in 1980 mestic cars are shown in the above uminum Association composite del. Every pound of aluminum ed in today's cars saves energy. ile the use varies per car, the erage 1980 car contains about 120 unds of aluminum. That replaces out 300 pounds of conventional terials for a direct saving of 180 unds. And, because designing in minum permits the downsizing of er related components, there's a tential secondary saving of other 90 pounds.

e lighter the car, the less energy it es to drive it. And Alcoa® aluminum one of the reasons why today's cars

are getting 38 percent more miles per gallon than six years ago. And we believe the increased use of aluminum will help auto engineers design future cars with even greater fuel efficiency. Aluminum. It's helping to save precious energy, just when America needs it most.

For more information on aluminum, write Alcoa, 446-G Alcoa Building, Pittsburgh, PA 15219.

James E. Grant, Senior Applications Engineer—Aluminum Company of America. "High strength, lightweight aluminum has proven itself in aircraft, trucks and automobiles over the years. Today, production parts from Alcoa's new 6000 series body sheet alloys meet or exceed the strength of draw-quality steel parts."

We can't wait for tomorrow. ALCOA

Forbes

July 21, 1980
Volume 126, Number 2

57

31

33

34

Features

Automobiles: *Guess Who's Next?* A few months ago, American Motors was acting as if it were about to own the world. Now it seems inevitably headed for the biggest loss in its checkered history. That's the bad news. The good news is that it probably won't be American taxpayers who pick up the tab but French taxpayers—through France's government-owned car company, Renault, now American's controlling stockholder. 31

Metals: *One For Our Side?* While American aluminum companies are basking in their best years ever, the Japanese industry, second largest in the free world, is in deep trouble—factories shut down, fortunes in machinery lying idle, losses running into the millions. The reason? Something even the efficient Japanese find it hard to overcome: the cost of energy. 32

Companies: *Turning The Lights Out.* Last year, Esmark's fresh meats division accounted for more than a third of its $6.77 billion revenues but little more than 10% of the profits. It won't be that way in the future, says Chairman Donald P. Kelly—but it's going to take a draconian restructuring that will slash revenues in half. 33

Airlines: *Shuttling Through.* Ten years or so ago, Eastern Air Lines tried adding "amenities" to its Washington-New York-Boston shuttles. The amenities didn't last long. Why tamper with a good thing? 34

Banking: *The Tangled Web.* Here's a story that has everything for an international spy thriller except, perhaps, the locale: Oakland, Calif. 35

Companies: *The Watershed.* It's hard to remember that as recently as 1975 Sears, Roebuck was considered one of America's great growth companies. But the giant of U.S. retailing never fully recovered from a series of missteps in the Seventies; and now it has come grudgingly, painfully to a historic decision. 37

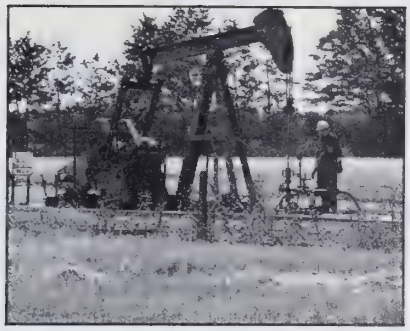
Companies: *A Second Chance.* Sanford C. Sigoloff buil big reputation fixing sick southern California companies ungentle methods. Now he has a chance to show he build as well as slash at Kaufman & Broad, the Los Ange home-building and insurance company he has been brou in to doctor up. .....

Energy: *Come And Get It.* Why is the stock of staid Stone & Webster Inc. kicking up its heels when its customers, the utilities, are in a deep slump? Because S& is one of the companies that may make up the n synthetic energy industry, an industry the federal gove ment is launching to the tune of $20 billion. .....

The Streetwalker: *Charlie's Willing To Wait.* And Ch lie's buying General Tire stock. .....

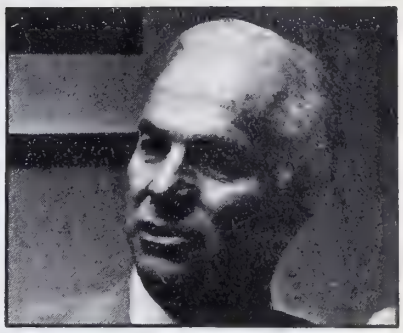
Oil: *Wildcatters In Bowler Hats.* Britain has always had own way of dealing out North Sea exploration acreage. unseemly auctions, but a careful assessment of bidde technical ability, financial standing and contribution to British economy. That way, the biggest, most solidly est lished companies usually got the best blocks. But with Tories in power, things have changed. .....

Cover Story: *The Age Of Carrier Diplomacy.* The U Army sits in Europe; a trip wire to prevent Soviet atta Air Force bombers and rockets are primed for nuclear w But only the Navy can deliver a powerful nonnuclear pur almost anywhere in the world without counting on la bases that are so undependable in these days of strid nationalism. And U.S. naval power, relative to the Sov Union's, is waning. .....



54

66



69

ıry Spending: *The Kennel Race.* "It's not a doghouse, kennel facility," says the colonel at Walter Reed Medical Center. "When you say 'doghouse,' the : thinks of Snoopy sitting on a two-by-four." Snoopy d live so well. 66

ting: *The REIT Rally.* For over a year smart money een betting on the triumphal return of real estate ment trusts. Buyers outnumbered sellers among insiders by nearly 10-to-1 over the past five months, om January to late June over 120 filings were made, by large corporations taking big positions. Is the rally for real this time? 67

anies: *David Vs. Goliath At 51,000 Feet.* Cessna d its customers to know all about its planned new ess jet. Unfortunately for Cessna, Gates Learjet was ing, too. 69

tical Spotlight: *Transylvanian Stocks.* Here are a e of Loaded Laggard lists Count Dracula would have While everyone else is off chasing oil service stocks efense stocks, he could have his pick of an ever-ıening list of ghoul's gold—stocks worth far more than alive. A stock selling around book value in 's market is no rarity. Dracula is looking for dis-s from book of 60% or more. 76

Faces Behind The Figures

d J. Ferris, *UAL Inc.* 80
ıs G. Labrecque, *Chase Manhattan* 80
. Heineman, *Northwest Industries* 80
k Taper, *First Charter Financial Corp.* 81
ubly, *Art Center College of Design* 81
d A. Horrigan Jr., *Reynolds Industries* 81

Money And Investments

The Economy: *What Kind Of Tax Cut? Any* kind that goes through Congress this year isn't likely to be well thought out or well planned. 85

Columnists

Ben Weberman 86
Heinz H. Biel 88
Srully Blotnick 90
Thomas P. Murphy 92
David Dreman 94
Ashby Bladen 96
Stanley W. Angrist 98

Departments

Side Lines 6
Trends 8
Follow-Through 16
Readers Say 18
Flashbacks 20
Fact and Comment.....23
Other Comments 26
Editorial Index 99
Thoughts.....100

Photos: pp. 6 top, 62, Paul Conklin; pp. 6 bottom, 66, K. Keeney; pp. 8, 16, 53, Bill Kelly; p. 18, © Playboy; p. 25 top, Gamma-Liaison; p. 25 left, Musée Picasso, Paris; p. 25 right, Sotheby Parke Bernet; p. 31, Charles West; p. 35, Leslie Wong; p. 36 top, Peter Marlow/Sygma; p. 36 bottom, Tom Tracy/Black Star; p. 37, UPI; p. 41, James Caccavo/Empire; p. 45, Ivan Massar/Black Star; p. 80 top, Arthur Lavine; p. 80 bottom, W. Franklin McMahon; p. 81 center, Tom Zimberoff.

Illustrations: p. 57, James Giaccio; pp. 60, 61, A.D. Baker III; p. 61, Pilot Press
Maps & Charts: p. 32, Bob Conrad; pp. 58-59, 85, Andrew Christie

Cover Illustration: James Giaccio

Forbes (ISSN 0015 6914) is published biweekly by Forbes Inc., 60 Fifth Ave., New York, N.Y. 10011. Second-class postage paid at New York, N.Y. and at additional mailing offices. Subscription $27 a year, U.S.A. Postmaster: Send address changes to Forbes, 60 Fifth Ave., New York, N.Y. 10011.

Copyright © 1980 Forbes Inc

WAITING IS FRUSTRATING, DEMORALIZING, AGONIZING, AGGRAVATING, ANNOYING, TIME CONSUMING, AND INCREDIBLY EXPENSIVE.

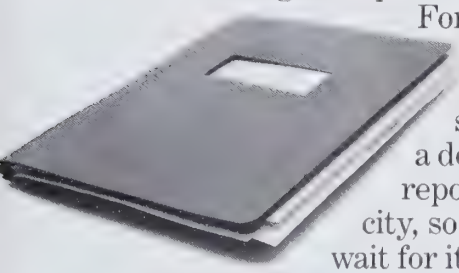
IT'S ALSO UNNECESSARY.

Waiting.

It's another cost of doing business today. Because business is spread out all over the country.

And it takes time to get things from one part of the country to the other, sometimes days and days.

And that gets expensive.



For instance, every time an executive sends a letter, a document, or a report to another city, someone has to wait for it.

This slows down the whole project, which affects productivity, which affects

profit, which affects the entire performance of the company.

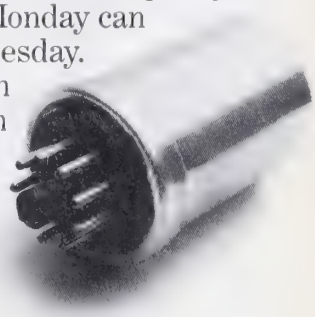
And when you're talking about skilled labor waiting for a part for a machine

or computer, you're talking big money for each day of waiting.

Fortunately, there is an alternative.

Next time, instead of waiting for something from somewhere else, tell them to send it Federal Express and you'll have it overnight.*

For as little as $19.00, the report you called Phoenix for on Monday can be in your hands on Tuesday.



The part sitting on a shelf in Pittsburgh on Thursday can be in your assembly foreman's hands in Los Angeles on Friday.

With Federal Express you don't have to wait for anything anymore.

Imagine what that could do to this country's productivity figures if everyone used Federal Express to eliminate waiting.

Imagine what that could do to your profit statement if you used Federal Express more and more.

Look at Federal Express as not just a service to use in an emergency, but also as a way to eliminate the frustration, the annoyance, and the expense of waiting, and you'll start to see Federal Express the way we envisioned it in the first place.

Federal Express is really a new tool that can and is revolutionizing the way America does business, as did the phone, the copy machine, the computer, and jet travel.

In a very real sense, it's the next tool that's needed now that we can pick up the phone and talk to anyone and now that we can get on an airplane and go meet with anyone.

Thanks to Federal, you can now have things sent to you from practically any place in the country overnight.

So pick up the phone and call us at 800-238-5355 and we'll pick up, fly and deliver your package or envelope overnight.

With no waiting, and all the mental and physical problems that go with it.

After all, why wait when you don't have to?

*Monday through Friday. Saturday delivery by special request at an additional service charge. © 1980 Federal Express Corporation®. All services are subject to the current Federal Express Corporation® Service Guide.

FEDERAL EXPRESS

WHY WAIT WHEN YOU DON'T HAVE TO?

For a copy of our latest annual report please write to: Mr. Daniel N. Copp, P.O. Box 727, Dept. 371, Memphis, TN 38194

Forbes

Editor
James W. Michaels

Managing Editor
Sheldon Zalaznick

Executive Editors: Dero A. Saunders, James Cook
Economics Editor: Ben Weberman
Art Director: Everett Halvorsen
Senior Editors: Ruth M. Gruenberg, Robert J. Flaherty, Geoffrey Smith, Howard Rudnitsky, Jefferson Gingsby, John A. Conway, Stanley H. Brown, Malcolm S. Forbes Jr., Paul Gibson
Contributing Editors: Richard Phalon, Clothield Spencer, Norman Gall
Associate Editors: Jean A. Briggs, Subrata N. Chakravarty, Thomas C. O'Donnell, Maurice Barnfather
Staff Writers: Harold Seneker, James O'Hanlon, Allan Sloan, Carol E. Curtis, Stanley Ginsberg
Reporters: Betty Franklin, Richard Greene, Steven Flax, Thomas Jaffe
Reporter-Researchers: Flora S.H. Ling, Chief, Gerald Odening, Linda Gasparello, Christine Miles, Alyssa Lappen, Jane Carmichael, Thomas Baker, Jeff Blyskal, Anne Bagamery, Tom Chesser, Newcomb Stillwell, Merrill Kalisch, Jonathan Greenberg
Washington Bureau: Jerry Flint, Manager, Beth Brophy, Ann Hughey
West Coast Bureau: John Merwin, Manager; Kathleen K. Wiegner, Michael Kolbenschlag, Nick Galluccio, Ellen Paris, William Harris
Southwestern Bureau: Phyllis Berman, Manager, Tedd A. Cohen, Toni L. Mack
Midwestern Bureau: Bob Tamarkin, Manager; Lisa Gross
European Bureau: Lawrence Minard, Manager; Barbara Ellis
Copy Department: Donald E. Zipperer, Chief; Marlene Mandel, Deputy; Dolores Guilhot, Jane Lashaw
Art Department: Roger Zapke, Ronda Kass, Assistant Directors; Nikki Frost, Photo Editor; Philip Gefter, Assistant Photo Editor
Columnists: Heinz H. Biel, Thomas P. Murphy, Stanley W. Angrist, John Train, Martin T. Sosnoff
Director of Production: John J. Romeo; Robert M. Rosengarten, Edward B. Morgan, Robert D. McDaniel, Assistants
Advertising Production: Patricia Deckelnick
Photocomposition: James Cianelli, Manager; Karen Heuler, Assistant; Lynn Gaspar, Johnnie English, Arthur Petz
Information Services: Robert M. Sterenson, Manager
Library: Dolores A. Lataniotis, Chief; Clarita Jones, Santiago Alvarado, Gloria Katz
Statistics: Donald E. Popp, Editor; Maria M. Latorraca, Associate Editor; Edward Sakalian, Ann Oliver, Paul Bornstein, Tom Kue, Steve Kichen

President and Editor-in-Chief
Malcolm S. Forbes

Publisher
James J. Dunn

Executive Vice President
Leonard H. Yablon

Vice President and Secretary: Malcolm S. Forbes Jr
Vice President and Controller: Joel B. Redler
Vice President and Treasurer: Leonard Greenberg
Vice President and Assistant Publisher: Christopher Forbes
Director of Advertising: Stephen G. Nicoll
Director of Corporate Communications: Wm. Donald Garson
Director of Circulation: John M. Thornton
Director EDP: Jerome Hoffman
Advertising Representatives:
New York: 60 Fifth Ave., 10011, Peter M. Schoff, Manager, (212) 620-2232 Arnold J. Prives, Fin'l Adv. Mgr.; George C. Clissold; Donald W. MacDonald; G. Croft Henry; John Wilson; Richard Calkins; Ellen S. Dweck, Kevin D. Miller; James W. LaCirignola, Dir. Int'l Adv.; H. Duncan McMillan, Dir. Spec. Proj.; Thomas G. Petersen, Co-Dir. Spec. Proj.
Atlanta: 550 Pharr Rd. N.E., 30305, Charles S. Thorn Jr., Manager; (404) 233-2457
Chicago: 435 N. Michigan Ave., 60611, Richard W. Reynolds, Manager; (312) 467-5000 James H. Mallon, Jeffrey Cunningham
Cleveland: Suite 501, The Leader Building, 44114, James B. Norton, Manager (216) 771-1271
Dallas: 4681 First National Bank Building, 75202, Fred H. Wellington, Manager; (214) 742-7001 William R. Arnold, Co-Dir. Spec. Proj.
Detroit: 3331 West Big Beaver Rd., Troy, Mich. 48084, Richard E. Forbes, Manager; (313) 643-0105
Los Angeles: 5900 Wilshire Blvd., 90036, Craig E. Miller, Manager; (213) 931-8131
San Francisco: 625 Market St., 94105, John B. Cunningham, Manager; (415) 788-2366
Classified: Sarah Madison, (212) 620-2[illegible] 60 Fifth Ave., New York, N.Y. 10011

Mgr. Subscription Service: T.M. York
60 Fifth Ave., New York, N.Y. 10011

PAID CIRCULATION OVER 690,000

FOUNDED 1917 BY B.C. FORBES (1880-1954)

Side Lines

Tradition

Admiral Thomas B. Hayward, chief of naval operations, and Forbes' *Ann Hughey*

Assigning Ann Hughey of Forbes' Washington bureau to report and write the cover story in this issue *(see p. 57)* was a bit like sending coals to Newcastle. The U.S. Navy is, to say the least, in the family. Shoving off soon for the Middle East will be the U.S.S. Conolly, a destroyer named for Hughey's admiral grandfather. Her father used to fly for the Navy and an uncle wears admiral's braid. "No, you don't call relatives when doing a story like this," Hughey says, knowing the ways of the service. But background rubs off like knowing that if you want a night chat with the chief of naval operations you can find his number in the phone book.

Interviews took her from the Pentagon to the flight deck of the nuclear carrier Nimitz to the naval air training station at Pensacola, Fla. "But we didn't get into this just to tell the Navy's story," says Hughey. "Forbes readers want to know what it will take to protect that oil lifeline, not just because of what oil m to national security, but because the of protecting that lifeline also aff those little problems of balancing budget and dealing with inflation."

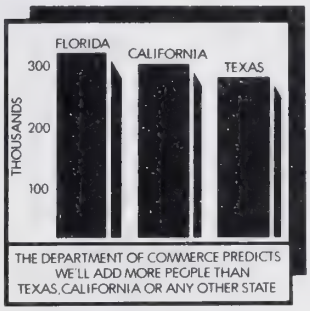
Reporter Beth Brophy checks out Duke

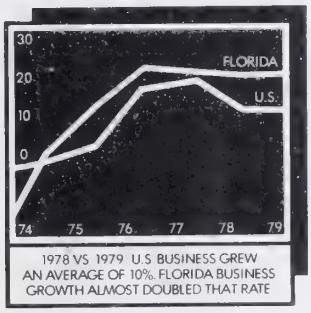
Making sure those defense dollars well spent led Beth Brophy of the W ington bureau to visit with Duke, a man shepherd, at his home in Ft. M just outside Washington, D.C. *(see p.* "Look, when you're a single woma Washington, you meet a lot of dogs say this for Duke. He doesn't wear p ester suits or gold chains," says the year-old reporter-researcher who s most of her time the past few w working with Miss Hughey on the Na

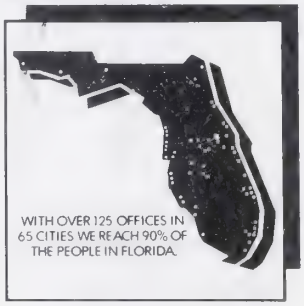
One of the problems with military ries, the pair say, is that all the old diers and salts at Forbes' New Y headquarters want to know why th aren't like they used to be when t were in the service. Asked one of th for example, "What ever happened that nice simple naming system Navy had, battleships after states, c ers after cities, submarines for fish?"

"Now it's a mishmash," says Bro Carriers are named for the famous (N itz), as are fleet ballistic submar (George Washington) unless they are new Trident class (the *class* carries name of its missiles) like the Ohio. corts are named for Navy or Marine roes unless they are named for the prime minister of Australia as is the f ate Harold E. Holt. Who's famous eno to rate a nuclear aircraft carrier? W the next will be the U.S.S. Vins named after the late Carl Vinson, a mer chairman of the House Armed S vices Committee.

Why the 1980's look brighter in Florida than in other states.







As the banks with more offices in more places around the state, you'd expect us to be optimistic about Florida. But when it comes to economic prospects, facts are facts.

Fact #1: During the 1980's, Florida will outgrow every state in the country, to a 1990 population of over 12 million.

And the faster a state is growing, the better for business.

Fact #2: The nation's lowest tax rate. The most recent data shows that the average family of four earning $15,000 a year, paid only $656 in state and local taxes, 66% less than many residents of the Northeast.

And, the more disposable income, the better for business.

Fact #3: In 1979, business incorporations grew 17% over 1978 in Florida, vs. a U.S. average of 10%. 102 industries moved here, resulting in $850 million of capital investment.

All this indicates a healthy business climate, and, with resources of $4.0 billion, we can help.

We can lend over $25 million to a single business customer.

We offer every service a business is likely to need, from Leasing to International Services to Cash Management.

So, whether you're considering a move, or you're already here, contact us soon.

Because what's good for American business in the 1980's will be better for Florida business. And, in Florida, business couldn't have a better bank than Barnett.

Barnett Bank

For more information, contact Hugh Jones, First Vice President, Barnett Banks of Florida, Inc., P.O. Box 40789, Jacksonville, Florida 32231. (904) 791-7441.

All Barnett Banks are members of FDIC.

King of the road

General Motors, already the automotive king of the road, will become even more dominant by the mid-1980s, a Wall Street auto analyst told the Senate. By 1985, said Paine Webber's Maryann Keller, GM will be "the only auto company in the world capable of building a full range of cars and trucks." Ford, in her view, might not be able to raise the capital to keep making big cars and thus be forced into head-on competition with the Japanese (who she expects will keep 20% of the U.S. market, compared with their present 23% share). As for Chrysler, analyst Keller thinks a tie-up with a foreign company might save it "though I am hard-pressed to identify any with both the resources and desire to take on Chrysler"—a view that the number three automaker's chairman, Lee Iacocca, expressed many months ago.

New insurance rules

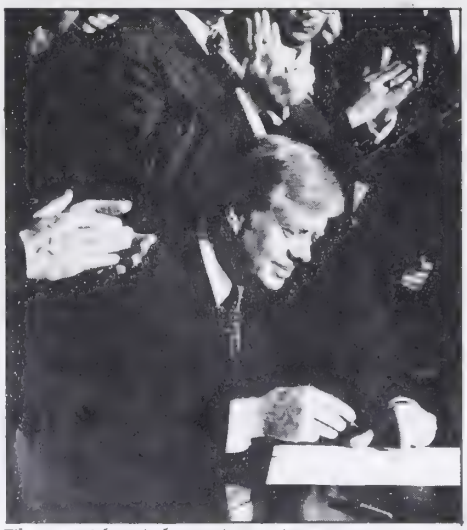
With only six states to go, a new car-rating system is lowering insurance costs for drivers who buy stronger, more repairable automobiles. Rates will go up for "muscle" sports models. The New York-based Insurance Services Office, an industry research group, developed the new guidelines, which have been approved by 44 states (the exceptions: Connecticut, Hawaii, New Jersey, New York, South Carolina and Oklahoma). The rules apply only to collision and comprehensive insurance (fire, theft, wind damage, etc.). The ISO researchers concluded that four-door cars suffered less damage in accidents than two-door models and that bigger cars fared better and were easier to patch up than small ones. The high-powered sports models, the Alliance of American Insurers says, often attract "aggressive personality types" who get into more accidents. The ratings, which apply only to 1980 cars, will be recalculated annually. The lower premiums under the ISO system will cover such lines as the Cadillac Seville, Chrysler Newport, Buick Electra and the four-door Chevrolet Citation (one of GM's X-cars). Bigger insurance tags will be hung on such sporty lines as the Chevy Corvette, Ford Mustang, Pontiac Firebird and, among the imports, the Toyota Celica and Volkswagen Scirocco.

'Tis blessed to receive

A bipartisan move is getting under way in Congress to free up the use of gifts and payments to foreigners while bidding for business abroad. With the U.S. trade deficit expected to reach $40 billion this year, the squeaky-clean code inspired by the post-Watergate mood looks like an expensive luxury. "If we expect U.S. businesses to be aggressive and competitive abroad," says Rhode Island's Republican Senator John Chafee, "we must not encumber them with unnecessary barriers and restraint." Chafee, a moderate, is one of a dozen senators out to change the 1977 Foreign Corrupt Practices Act. The group ranges from conservatives like Republican Harrison Schmitt of New Mexico, a former astronaut, to liberal Democrats like Adlai Stevenson of Illinois and Lloyd Bentsen of Texas. Proclaiming that they are "all against bribery," they want to change the law because they deem it murky and restrictive. Under their proposals, U.S. firms could offer gifts and payments that are legal in the country involved, hand out courtesy tokens of regard or bread-and-butter gifts in return for hospitality, and pay expenses for foreigners coming to the U.S. to look over American products or operations. On other fronts, the drive to spur exports includes moves to let corporations and banks form trading companies (a major Japanese export ploy) without violating antitrust laws, to provide tax incentives for Americans working abroad and to expand Export-Import Bank financing.

The almost-inglorious 4th

Jimmy Carter's ceremonial signing of the bill to create a $20 billion synthetic-fuels industry could have been a political disaster. The President had planned to put his name to the milestone measure on the Fourth of July and to proclaim the holiday as "Energy Independence Day," emphasizing how synfuels would at last give the U.S. at least one effective weapon against OPEC and its price-fixing. Someone with a longer memory, however, recalled another presidential effo energy independence that came to end. That was in 1974 when Ri Nixon, just as the Watergate cloud was about to engulf him, loosed th fare for "Project Independence," w he saw as an allout effort to free th from the grip of the oil sheikhs. Th of that project—and its creator—fin Carter's original idea. The synfuels ing was switched to a low-key eve June and the Fourth remained plai Independence Day.



The presidential pen in action
In politics, a good memory can help.

The bravest man on Wall Street?

Only recently a major business mag predicted that Ford Motor might b other Chrysler. But here's David H Drexel Burnham Lambert's able aut alyst, predicting: "I feel Ford could $6 a share next year and $14 in 198 he's right, Ford is currently selling a than 2 times its two-years-out earn Ford, he agrees, could lose $1 billion year and "sharply slash its divi payout," but Healy still expects Fo pay something. "Perhaps $1," he adding that "the cut dividend may affect Ford's stock price—that's al been discounted." And Healy still th Ford might show a small profit in fourth quarter of 1980.

Healy's glow is fueled by several tors. First, he thinks the economy recover. That has to help the auto ness. He also notes that this fall Ford have a new frontwheel-drive sub pact, the Ford Escort (or Mercury L replacing its former low-cost and tro plagued entry, the Pinto. The Japa he says, will also lose some of the ma with a rising yen forcing up their pr Finally, the Drexel Burnham man by the end of next year Ford's new agement will have carved $1.5 bi from fixed costs—mostly in labor. D sneer: Healy called the 1975 auto around. Right on the button.

Beachheads in Japan

American semiconductor manufactu are stepping up their invasion of Ja with two targets in their sights. One establish themselves in that gro market; the other (and this is the one Japanese believe) is to recruit local neers to offset the increasing deart such talent in the U.S. The device used is to set up designing centers ge to finding the type of semiconductor suited to Japanese customers. At the of 1979, only two U.S. producers, T Instruments Inc. and Motorola Inc., running such centers in Japan, spring, Intel Corp. moved in (and hir

Consolidated Gold Fields Limited

The 100 largest foreign investments in the U.S.

We at Consolidated Gold Fields were sorry not to appear on the list in FORBES on July 7.

Our U.S. sales of $750 million, all in 100%-owned operations, would have put us around 50th. Full details appear below for those who want to correct their copies of the list.

Investing in the USA, rather well, is something to which we give a lot of time and effort. So we were upset not to be listed, and asked FORBES why.

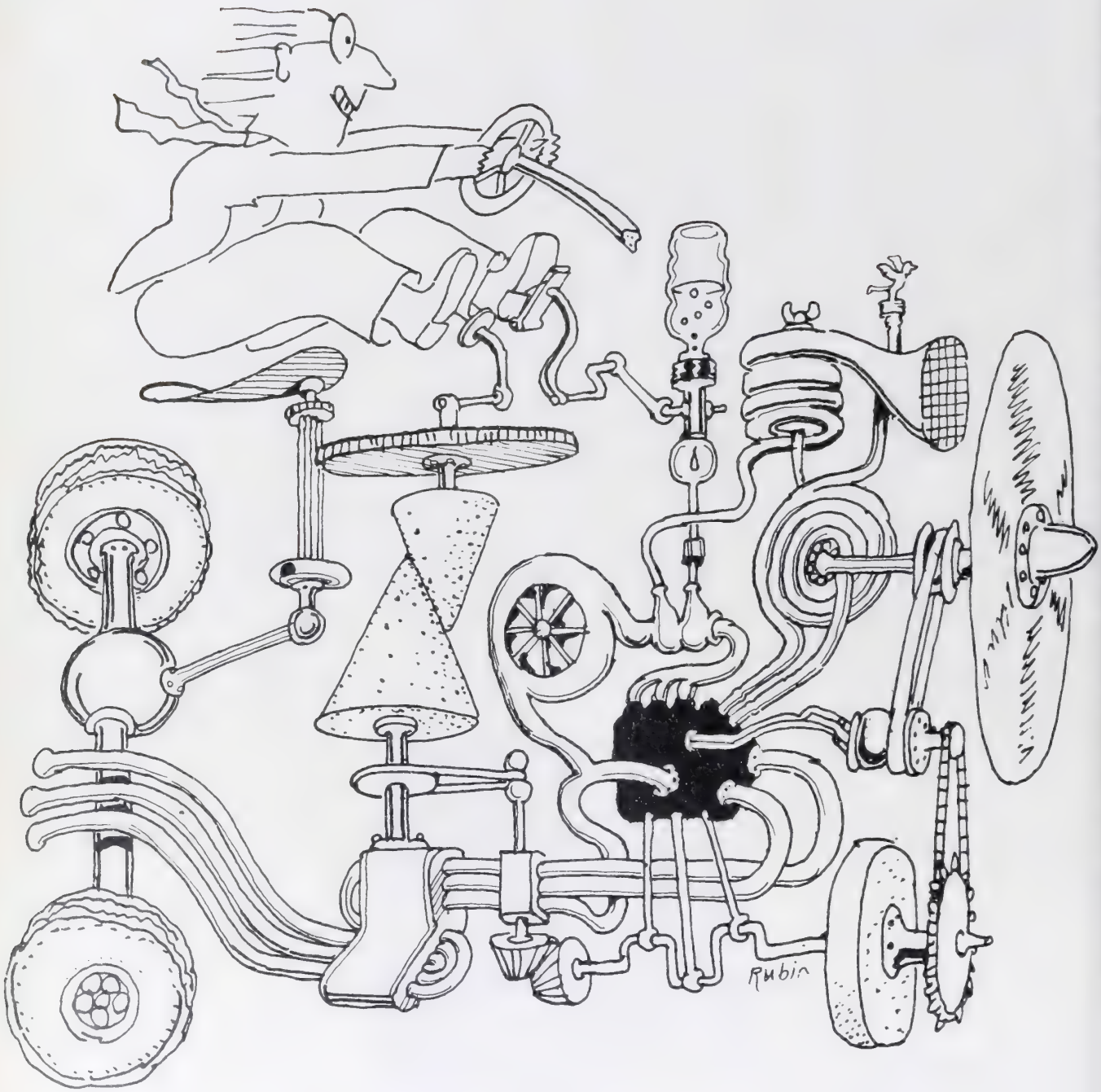
It turns out that FORBES reckons we are a part of Anglo-American Corporation of South Africa Limited. Wrong. Consolidated Gold Fields is a completely independent company. Anglo-American has 12½% of our equity, recently purchased in the open market, and has said that it does not expect to buy more. Another major mining company, DeBeers, also has 12½% of our equity. We have 38,000 other shareholders.

We are working for all of them. Consolidated Gold Fields is alive and well and investing in the United States of America. We'll try to be higher than 50th in your list next year, Mr. Forbes. Leave space for us.

And here are the facts for this year

		$ Millions	
		Revenues	Net Assets
ZCON CORPORATION	Steel	462	182
RC AMERICA CORPORATION	Concrete	186	78
EWCONEX CORPORATION	Drill rigs	102	60
OLD FIELDS MINING CORPORATION	Gold and silver	Negligible	12
otal		750	332

Imagine an engine as powerful as eight cylinders but as thrifty as six.



We did.
hen we helped the auto makers achieve it.

rrett engineer proudly
e hood, and pointed to
ine. It was a six-cylinder.
ctly the kind of fire-
hat inspires legends,
that this one was fitted
Garrett turbocharger.
formance rides again.
ause General Motors,
aab, Mercedes Benz,
t, Renault, International-
ter, and Datsun turned
st remarkable source,
rrett Corporation.
earned our wings in aero-
hen built ourselves into
strial giant with a technol-
e just shy of awesome.
at's most important is
apply that technology.
Garrett, we've always
d that application is
So, long ago, we orga-
urselves on one principle:
imize the creative
of our engineers. We put
teams. They never
one on one isolated part
of a problem like the three blind men trying to describe what an elephant looks like. They're responsible for entire projects, not just slight modifications. Time and again, the result has been some of the most impressive solutions to the problems of today. It's catapulted us into a position of leadership in the development of energy efficient engines and systems. In all sorts of areas.

For industries requiring on-site generation of electricity, Garrett is replacing traditional diesel power with a new generation of fuel-efficient small gas turbines that are lighter, smaller, and last longer than diesels of comparable size. And to our way of thinking, longer lasting is more efficient.

We've also found a way to make our advanced gas turbines work even harder. Through cogeneration systems, our gas turbines drive generators to produce electricity, while simultaneously using the turbine exhaust to produce steam, hot water, or hot air.

You'll find us in everything from automobiles to agriculture, office buildings to refineries. Everywhere doing much the same thing: making engines and systems work harder. But the real frontier for us is you.

If you're not sure how we can help you, we suggest you first take a look at your energy bills, or your EPA requirements, or whatever else you're working against. Then write us for more information. Just take the time you'd normally spend at the gas pump and send a letter off to our President, Jack Teske. You can reach him at The Garrett Corporation, Dept. 1, P.O. Box 92248, Los Angeles, California 90009.

GARRETT The Garrett Corporation
One of The Signal Companies

Garrett

The aerospace company with its feet on the ground.

CHANGE OF ADDRESS

If you are moving, let us know six weeks before so we can keep Forbes coming. Enter your new address on this form and return it with a recent mailing label from the magazine.

NEW SUBSCRIPTION

To order Forbes, enter your address on this form and check the subscription you prefer. ☐ 1 year $27.00 ☐ 3 years $54.00 (the equivalent of one year free). Canadian orders, add $4 a year.
Pan-American and Caribbean orders, add $5 a year; other foreign, add $15 a year.

Subscription Service Manager
Forbes, 60 Fifth Avenue
New York, N.Y. 10011

ATTACH MAGAZINE MAILING LABEL OR WRITE SUBSCRIBER NUMBER HERE
(see above name on label)

Name (please print)

New Address:

City

State Zip

Date of Address Change F4826

EXPLORATION
Brock
CORPORATION

PROFESSIONAL PETROLEUM EXPLORATION

NEW ORLEANS, LA
MAIN OFFICE
231 CARONDELET ST./5TH FLOOR
NEW ORLEANS, LOUISIANA 70130

OKLAHOMA CITY, OK

Trends

top Japanese microcomputer expe run its setup). National Semicondu Corp. is rounding up Japanese engir to set up a base of its own by the e this year. Fairchild Camera & In ment Corp. has been reported thin of following the same course.

A shift in Detroit

Washington's attack on Ford's auton transmissions—the charge is that if is left with its motor running, any such as a slammed door, may send vehicle off in reverse—has shatter long-standing Detroit tradition. Wheelsville code of honor has al been that one manufacturer never cized another. The possibility of a recall, which could involve 16 mi cars and cost at least $500 mil changed the rules. When the prob first surfaced, General Motors Chrysler had their engineers fine-c their own transmissions. The con sion, made in internal reports, was neither had Ford's problem and the perts detailed what they thought F problem was. The federal watch asked for and got these studies, w gave them the ammunition to go Ford. Since then, Ford minions been busily slamming doors on the c petition's cars to jar their transmiss from park to reverse and thus der strate that everyone has the same t ble. The obvious solution: Don't get of a car and leave the motor running

A slip of the slide rule

Decontrolling oil prices, the Con sional Budget Office said comfortin year ago, would raise prices by a scar noticeable 0.6% to 0.8%. But the Ca Hill budgeteers are having se thoughts. Decontrol, they say now, push up the Consumer Price Inde "approximately 4.3% to 4.6% by 19 That will include a 1.5% jump this and 2.1% in 1981.

Backfire

The clamor for quotas to brake Japa auto imports could have an effect champions haven't realized. One re could be to drive even more U.S. dealers to the wall, hardly what the tectionists have in mind. Many dea carry both foreign and domestic cars depend on the fast-selling imports to set the dying demand for slower-mo big American cars. Take away the ports and they would be in deep trou because no one has enough small U built cars to take up the slack.

BOEING COMPUTER SERVICES CAN HELP YOU PLAN AND CONTROL RESOURCES TO OPTIMIZE FINANCIAL PERFORMANCE

Our capability began in The Boeing Company which recognized the need rovide managers at all organization levels with a state-of-the-art business agement tool to help them plan and control their resources. It was called cutive Information Services (EIS).

Today, EIS is just one part of a comprehensive package of financial analysis s called Financial Management Services designed to help you in budgeting, nating, tracking, P&L analysis, forecasting, modeling and risk analysis.

That's not all. Our full product line offers you more ways to optimize profits get better visibility – a cash control system, currency conversion, graphical lays, a statistical package, project planning and exceptional data manage- t capabilities for financial data.

The technical support we offer is unexcelled. The people who will work you are qualified, professional and knowledgeable in financial operations.

And, our services are designed to be easy to use. They save financial analyst professional time. You will have access to them via one of the world's est privately managed communications networks. We also offer a full range anking and thrift processing services including Electronic Funds Transfer, training and consulting services designed to meet your needs.

To learn more about this profit opportunity, write or call: William O. Sparks, ctor of Sales Operations, Boeing Computer Services Company, Madison Avenue, Morristown, NJ 07960, (201) 540-7786.

☐ Please send me a copy of "Products for the Financial Industry".

☐ Have your representative call and schedule a brief but productive meeting.

Name

Title

Organization

Address

City

State Zip

Telephone

7FO3

S

OEING COMPUTER SERVICES

sion of The Boeing Company

7 WAYS LONG DISTANCE CAN KEEP YOUR HEAD ABOVE WATER.

Getting that sinking feeling trying to cope with today's rising business costs? Well, our Bell System experts want to help by showing you the many ways your phone can save you money, expand your business, and improve your cash flow.

Read all about them to discover how Long Distance can improve your bottom line.

#1 A winning number is 800.

Your toll-free 800 Service number encourages people to react instantly to direct response advertising. And sales catalogs. This means you can immediately measure how effective your ad is.

In selling business-to-business, the 800 Service number encourages customers to call *you* when they need to replenish inventory. Result: easier ordering, faster order processing. This gives you a competitive edge.

And if your customer has a complaint, you discuss it, take care of it at once. It also gives consumers immediate answers—about product specs, retail outlets, service locations.

As for cost of service, you can get low rates on time units as little as 10 hours per month, with even lower rates on time exceeding ten hours. It's a good investment and gives you a lot of prestige.

#2 What WATS is right for you?

You don't have to be a biggie to have a WATS line. You can have an unlimited number of calls on outward WATS for as little as ten hours a month. Or as much as 240 hours each month FOR A SINGLE CHARGE. And you don't have to buy the whole country, just the zones you call across to do business. With the right WATS, you'll be able to improve customer service, avoid the high costs of inventory outages, speed up cash flow and lower your operating expense.

#3 How a phone number can be your "office" in another city.

Bell can show you how to do business in a distant city without the expense of a local office. With the help of RCF—Remote Call Forwarding—you won't need an office, equipment, or additional help.

Bell assigns your firm a local number in the city of your choice. Calls are automatically redirected to you. No waiting. No operator assistance. You will be surprised to discover that the cost for this service is remarkably low.

This means your customer is only a local call away. With RCF, you can open new markets, test them out, accept out-of-town orders, and improve customer service.

#4 Selling on the phone instead of on the road.

Gasoline prices and other travel expenses are on the rise. So sending salespersons out to get small orders from small accounts is a waste of time and money. Our Bell exper can help you keep those customer by teaching you special techniques.

You'll learn how to call period cally when inventory is down an the customer is ready to buy. You contact smaller accounts mor frequently, and at a lower cost, tha is possible with on-premise visits.

#5 Improving credit management

Successful credit managemen is the key to cash flow. Our Be experts have programs that expan your market, develop customer build profits, and give you a bette handle on fiscal control. You'll b involved with an overall strateg that will enable you to check the cu tomer's ability to pay on time, calcu late marginal risk, and collec overdue accounts.

#6 Turning an inquiry into a sale.

Turning an inquiring prospec into an active customer takes ski that your people might not have.

Our Bell experts can show yo how to screen and qualify a inquirer's interest, and then tak immediate and competent action. I no time you'll learn how to capitaliz on a prospect's interest and nee immediately—when he or she most receptive to your offer. Effec tively used, our techniques will hel improve your sales AND profits.

#7 Phoning for new business.

Today you can actually tele phone for new business—and get i provided you use the right tech niques. Our Bell experts can teac you how to shop for new customer by building primary and secondar lists. How to screen a prospect interest before sending out materia And how to follow up a prospec after a mailing. As a result, you'll in crease your market coverage or e tend the territory you now cover a fraction of your present sales cost

Bell System

CALL 800-821-2121,

Ext. 955.

toll free anywhere in the contiguous United States. In Missouri, call 800-892-2121, Ext. 955.

BELL BUSINESS EXPERT
LL TALK TO YOU. You can
ect to have a relaxed, friendly
. You'll discover whether one or
re of these Bell System programs
be a practical, profitable plus
your business. To help you, we'll
d information. So we'll ask ques-
s, like the ones listed below. No
prises, nothing you won't have
answer to. You'll find the discus-
n thoroughly enlightening and
oyable.

"Hey! I want to keep my head above water. Tell me how Long Distance can help me manage my business better."

Vhat is your product or service?
How many accounts do you sell
or service?
What geographic area do they
cover?
How many locations does your
business have?
How many sales people do you
have?
Vhat is your primary method of
customer contact?

Q. What type of advertising/promotion do you use?

Q. Do you use services other than your local lines, such as WATS?
Q. How do you test or expand market areas?
Q. On the average, how many accounts fall past due each month?
Q. How do you handle inquiries at present?
Q. Do you have plans to meet specific business objectives—such as increasing market share?

OR WRITE.

Fill in below or attach your business card and mail.

Bell System Sales Center
811 Main Street, P.O. Box 549
Kansas City, Missouri 64141

Yes, I am interested. Tell me more about:

- ☐ #1 800 Service
- ☐ #2 WATS Lines For Small and Medium Businesses
- ☐ #3 Remote Call Forwarding
- ☐ #4 Selling Smaller Accounts
- ☐ #5 Improving Credit Management
- ☐ #6 Handling Inquiries
- ☐ #7 Opening New Accounts

Name_____

Title_____

Company_____

Address_____

City_____ State_____ Zip_____

Area Code_____ Business Phone_____

800-821-2121, Ext. 955

To call toll free, dial 800-821-2121, Ext. 955, anywhere in the contiguous United States. In Missouri, call 800-892-2121, Ext. 955.

955-005

Well, it's only money

When FORBES called Mobil Oil's purchase of Montgomery Ward a "$1.5 billion mistake" *(June 11, 1979)*, both the company and its retailing subsidiary reacted with understandable indignation. The story, headlined "Mobil's monkey," wrote Monkey Ward's chairman, president and chief executive, E.S. Donnell, should have read "FORBES' monkey business." Since Mobil had bought Marcor Inc., the holding company that owned both Ward and Container Corp. of America, Donnell added, both pretax earnings and return on equity for the mail-order and department-store chain had increased substantially. FORBES pointed out that Mobil would have done better by keeping its money in the bank, still better by investing in tax-free bonds, and much better by buying its own stock.

Chairman Donnell did admit that 1979 had been rough for "mass merchandisers with a strong durable-goods base," and 1980 has only intensified that problem. Ward ended the first quarter of this year with a loss of more than $46 million and last month Mobil ponied up $200 million for a three-year, interest-free loan to its beleaguered subsidiary.

Did this mean Mobil was reversing its stated policy of not investing money in Ward? Not at all, said an oil company spokesman, who then added this curious explanation: "It's not an investment. It's a loan. The loan does not represent a diversion of cash from Mobil's oil and gas business. We're merely helping Montgomery Ward at a prudent time and we're confident that as the impact of the current recession eases, Montgomery Ward will be able to generate its own growth by itself."

See?

The jeans scene

"Poor old number two" was FORBES' tongue-in-cheek description of Blue Bell, Inc. two years ago *(Sept. 4, 1978)*, noting that though the North Carolina jeans manufacturer consistently trailed Levi Strauss, it could still generate a very respectable 20% on equity even in a poor year. One reason was fantastic profits on soaring international sales, which contributed 55% of Blue Bell's earnings during the fiscal year that ended last Sept. 30. Those heady figures, however, apparently dazzled Blue Bell's management into making euphoric forecasts for its overseas business, forecasts that have caused it real trouble. During the first half of the current fiscal year, foreign sales contributed only 36% of operating earnings and during the quarter that ended on June 30, overseas results were expected to do no better than break even.

Blue Bell's president, L. Kimsey Mann, admits as much: "We did budget for more growth than we got." The galling fact for Mann and his company is that Levi Strauss, the major competitor (with revenues twice Blue Bell's), did guess right on a decline in European sales and as a result had its inventories trimmed accordingly. Analyst Brenda Gall of Merrill Lynch sums up Blue Bell's problem by saying "they were too slow in reacting to the disappointment in volume versus their plan." She speculates that Blue Bell may have been caught by shifting European tastes, saying that customers on the Continent seem to be switching to fancier jeans, a trend most evident in West Germany, and that country happens to be Blue Bell's biggest and most profitable market.

Tightness in jeans, however, hardly spells disaster. For one thing, only a third of Blue Bell's sales are in basic Wrangler jeans. For another, both Blue Bell and Levi Strauss say that demand for their jeans has never been stronger in the U.S., and Blue Bell is rapidly moving its overload into that market. Both companies also maintain that with a recession, moderately priced lines such as theirs will be in bigger demand in this country. It is true that higher-priced jeans flaunting big-name designer labels have come on strong lately but the mass producers see that as an overall boost for the whole jeans scene. The designer jeans, Blue Bell's Mann says, have created "a fashion image" and "those who don't buy the fashion jeans will look first at the major brands."

Meanwhile "poor old number two," problems and all, should still return 18% to 20% on equity this year, both Blue Bell and Wall Street believe.

Blue Bell's Wrangler jeans
A wrong guess needn't spell disaster.

Whaddya read?

Despite "overly cautious corporate ership" from its Chicago parent, Tribune Co., the New York *Daily* was steadily improving with bright features and more suburban cove FORBES reported three years ago *(Se 1977)*. Circulation might have bee 10% from its 1971 peak, to 1.9 mi daily, but the morning tabloid was the country's biggest newsp FORBES' cheery outlook, however, overblown. Circulation at the *Neu* continued to skid and at last count down to a little over 1.5 million. agement in Chicago has been movi reinforcements until the top echel the New York paper smacks much of Michigan Avenue than 42nd S Now, after years of rumor and di the New York paper has made tactical move.

By "late summer or early fall," publisher Robert Hunt (one of the C go imports), the *News* will invade afternoon field, the exclusive preser Australia's Rupert Murdoch, who bo the venerable New York *Post* in Since then, using his own whizbang sion of the sensation-and-sports for that was the hallmark of the *News*, doch has built up the *Post*'s circul city-wide. The 1979 first-half figure 624,000; this year it is 654,000.

Publisher Hunt told the ten u that will produce his paper that the p.m. edition was aimed at getting ger share of the retail advertising en by his big morning rival, the *Neu Times*. Murdoch saw it as a move to him out of business. So a week afte *News* announced its afternoon plan (g decision to hire 200 to 400 more members and to add new "life-style" tions to the paper), Murdoch struck While the *News* would run its p later, he would start his earlier. month, the scrappy Australian sai would charge into the *News* mornin ritory with an early-hour edition o *Post*. He had afternoon plans too. *Post*'s current deadline is 2:30 which rules out such news as cl stock market prices. The *News* is pr ing these for the home-going comm crowd (a smaller but better-heeled g than the mass audience the pape always aimed at). Murdoch, who called his last edition a "final" though its stocks prices are hours be the close, says he will expand his lines so that he can match the after *News*. (Commuters also have a chan the *Wall Street Final*, a new, small-cir tion paper that prints the stock t and a crossword puzzle.)

So while New Yorkers aren't reall ting a new paper, they will at lea getting more of the old ones.

GMC SPEAKS TO YOU ABOUT PROFIT:

LOW DELIVERY COSTS ARE WHAT YOUR TRUCKS SHOULD DELIVER.

If your business depends on liveries, you need a truck that livers when it comes to keeping sts in line. GMC has a lot of perience in offering trucks that just that. And here are some of reasons:

GASOLINE ENGINE HAT'S EARNED A NAME OR ITSELF.

The V-8s that power GMC's edium-duty trucks have been oved over a lot of demanding livery miles. Each has a gh-Energy Ignition stem and a Delcotron generator with solid-state voltage regulator. Also, an electronic governor is standard on all models except C5.

2. AN EFFICIENT, COMFORTABLE PLACE TO WORK.

Controls are convenient. Seats are sensible. And Allison 4- and 5-speed automatic transmissions are available to help make the driver's job even easier.

3. LOW MAINTENANCE. EASY TO CARE FOR.

For example, gages and controls can be removed from the front of the instrument panel in a matter of minutes. A maintenance-free Delco Freedom Battery is standard. And GMC is so confident of its anti-rust measures that all GMC trucks are covered by a Three-year Perforation from Corrosion Limited Warranty. Exhaust system components are not included. Ask your GMC dealer for details on other limitations.

4. A TRUCK THAT'S MADE TO ORDER FOR YOUR DELIVERY JOB.

That's what you get with GMC's E-Z Spec System. It offers pre-engineered, customer-tested specification combinations. So you can order exactly the right GMC, equipped to meet your delivery needs. Talk to your dealer about buying or leasing a GMC that'll deliver low delivery costs for you.

GM
MARK OF EXCELLENCE

GMC TRUCKS ARE WHAT WE'RE ALL ABOUT.

From the case histories of 200 millionaires...

The truth about the one "sure thing" you can invest in. Yourself.

Want to make a million?

Most millionaires got there by finding the right job—and getting very good at it. Noted *Forbes* columnist and investment expert Srully Blotnick interviewed over 200 self-made millionaires, from Norman Lear and Calvin Klein to NBC Board Chairman Jane Cahill Pfeiffer, to find out exactly how they did it, and how you can too. He demonstrates—

✔ why you don't need to be self-employed to get an independent income
✔ the 3 most common (and costly) investment mistakes
✔ why most fortunes are made during your *middle* years
✔ how one-of-a-kind investments can turn you into a pauper, not a prince
✔ how to be "lucky"
✔ the 15 questions to ask yourself *right now*
✔ the only get-rich strategy that really works

GETTING RICH YOUR OWN WAY is a serious, life-changing book written by a serious and successful investment consultant. At bookstores, or mail the no-risk coupon today.

GETTING RICH YOUR OWN WAY

Want to make a million? Here's how two hundred millionaires did it and how you can do it, too.

Srully Blotnick, Ph.D.

DOUBLEDAY & COMPANY, INC
Dept ZA-997
Garden City, New York 11530

Please send me_____copy(ies) of GETTING RICH YOUR OWN WAY @ $10 95 per copy Enclosed is my check or money order I understand you will pay all shipping and handling costs If I don't agree that this is a book I must keep, I'll return it within two weeks for a full prompt refund

Name_____

Address_____

City_____State_____Zip_____

Offer expires December 31, 1980

Readers Say

Out of the closet

SIR: For some time, I have been a close student of the World Bank, especially its work in the population field and other new sectors of lending. Your article *(May 26)* captured extemely well the basic issues and dilemmas facing the Bank—issues that are seldom aired publicly. It revealed considerable insight into the difficulties involved in the Bank's efforts to promote economic and social development in Third World countries.
—Jason L. Finkle
Director, Center for Population Planning, University of Michigan
Ann Arbor, Mich.

Sexist?

SIR: Re "Remember When Stewardesses . . ." *(Fact and Comment, May 26)*. I'm disappointed to read such a sexist comment. Their figures are not relevant to determining the quality of their work any more than the figure of a magazine editor is relevant in determining the quality of his/hers.
—June DeWeese
Columbia, Mo.

SIR: I am an ex-flight attendant because of my appearance in the May issue of *Playboy* magazine's flight-attendant pictorial. We used to have the figure of glamour. However, when management changed our title to "flight attendants" instead of stewardesses, they wanted the glamour out. So, your dreams must go unfinished.
—Linda J. Lehner
Miami, Fla.

Reader Lehner

Supply siders

SIR: Re your choices for a Reagan cabinet *(Fact and Comment, June 9)*. With Lew Lehrman at the Fed and Professor A Laffer with the CEA, the supply s would have an unbeatable team.
—Jack Kemp
House of Representatives
Washington, D.C.

Lucid economics

SIR: How could you get Jimmy Car read your excellent survey *(June 2* the international monetary and eco ic crisis—and understand it! Not to tion graduates in economics—who confused by theories that they ca perceive reality.
—Peter Davis
Marina del Rey, Calif.

SIR: I hope you will write again o relationship between world econ events and conditions and how the fect our domestic economy.
—Rollin T. Steinmetz
Kent, Wash

Tasteless?

SIR: Re your observations on the "t less" Kent campaign. Our real pros seem to feel differently, as evidenc sales figures from the markets in w this campaign has been running. A the Arctic Lights campaign you ad so much, the agency has resigned an brand is considered a failure, having er achieved more than two-tenths share point.
—John E. O'Toole
President,
Foote, Cone & Belding
New York, N.Y.

SIR: I found myself in complete a ment with you in regard to the "tast advertising" of Kent cigarettes. small businessman, I find some con tion in the fact that large comp such as Lorillard can still come up obvious "clunkers" such as those.
—E.J. Dzuban
Delaware, Ohio

Panhandle's position

SIR: The LNG portion of your sto Panhandle Eastern (FORBES, *June* strongly conveyed the impression Panhandle Eastern presently has a pute with Algeria. We do not. Whil U.S. government is now trying to re a pricing dispute between El Paso and Algeria, Panhandle Eastern is directly involved. Further, the chara ization of the Algerians in the sto

sessment. It does not represent
v and is not based upon anything
luring my interview with your

Shields
n and CEO,
lle Eastern Pipe Line Co.
Tex.

'destructive policies

w can we compete effectively
the Japanese, whose industries
uraged, supported and rewarded
nment?
nalize companies for their very
as in the $1.8 billion antitrust
t by AT&T. We have the best
communication system in the
anks to Ma Bell, yet our govern-
d antitrust court have yet to see
t of day.
J.S. is just one competitor in the
arketplace. We had better wake
at fact soon.
Peters
ton, Del.

Higher price

chart accompanying the article
warrants—a way to get leverage"
lists GEICO's "exercise price of warrant" as $24. Each GEICO warrant may be exercised until Aug. 1, 1983 for 2.08 shares of GEICO Corp. common stock at $24 per share. This would result in an exercise price of each warrant of $49.92.
—Robert W. Jackson
Director, Public Relations,
Government Employees Insurance Co.
Washington, D.C.

Changing emphasis

SIR: It hasn't been many years that most of the talk and writing was that the Soviets and the U.S. each had enough nuclear weapons to blow up the whole earth ten times over.

Nowadays I seldom if ever see this type of thought mentioned.
—Adolphus Bray
Salisbury, N.C.

They came back

SIR: Re MSF's lesson in financial security *(Fact and Comment, May 26)*. The four debenture issues of Cities Service Co. that were outstanding in 1929 were redeemed on or prior to their respective maturity dates, including payment in full of principal, premium and interest. Many bonds and stocks had declined in market value by 1933 (not necessarily "virtually worthless"), but if MSF did indeed adhere to his father's advice—"bonds are not for cashing in. They are security for the future"—then he received full value.

Too bad about not getting the bike, but he eventually acquired a hot-air balloon.
—Robert E. Spann
Manager, Corporate Communications,
Cities Service Co.
Tulsa, Okla.

But those politicians . . .

SIR: For some time now you have touted a 50-cent tax on gasoline as a cure for our energy problems.

Such a tax would undoubtedly decrease consumption, but you ignore the opportunity costs implicit in cutting consumption in this fashion. This tax would be nothing more than a direct transfer of resources from a productive private sector to an increasingly capricious public one. We emphatically do not need to have another chunk of GNP removed from the allocative discipline of the marketplace and transferred to our public officials for disposition down their favorite populist rat holes.
—Linda Gorman
Wilkinsburg, Penna.

This announcement is neither an offer to sell nor a solicitation of an offer to buy these securities. The offer is made only by the Prospectus.

New Issue / June 20, 1980

$65,000,000

nme National Medical Enterprises, Inc.

12¾% Subordinated Sinking Fund Debentures Due 2000

Interest payable June 15 and December 15

Price 99.25%

plus accrued interest, if any, from date of issuance.

Copies of the Prospectus may be obtained in any State in which this announcement is circulated only from such of the undersigned as may legally offer these securities in such State.

F. Hutton & Company Inc. — Merrill Lynch White Weld Capital Markets Group (Merrill Lynch, Pierce, Fenner & Smith Incorporated)

ache Halsey Stuart Shields Incorporated — The First Boston Corporation — Bear, Stearns & Co. — Blyth Eastman Paine Webber Incorporated

llon, Read & Co. Inc. — Donaldson, Lufkin & Jenrette Securities Corporation — Drexel Burnham Lambert Incorporated — Kidder, Peabody & Co. Incorporated

zard Frères & Co. — Lehman Brothers Kuhn Loeb Incorporated — L. F. Rothschild, Unterberg, Towbin — Salomon Brothers

earson Loeb Rhoades Inc. — Smith Barney, Harris Upham & Co. Incorporated — Warburg Paribas Becker A. G. Becker

ertheim & Co., Inc. — Dean Witter Reynolds Inc. — Advest, Inc.

Flashbacks

Edited By Dero A. Saunders

Items of interest from issues of FORBES of 60, 50 and 25 years ago.

Sixty years ago in FORBES

Governor James M. Cox of Ohio
Democratic presidential nominee.

America is assured of a business man as President. This is well. The candidates may differ—they do differ—widely in their political ideas, but they have this much in common: They both know the importance of giving business appropriate opportunity to live and flourish. The expectation in most business circles is that Senator Harding will be our next President; but, if events prove otherwise, the financial and business community will not be thrown into a panic. Governor Cox is regarded as being quite as much a business man as a politician. His handling of labor troubles has not always satisfied hard-shell capitalists of the old school, but results in his own state have justified the wisdom and statesmanship of his course.

Western Europe at last seems definitely on the road to recovery. The whirr of the machinery of trade and industry again is rising in the countries along the Atlantic coast. Spain, indeed, is in better condition to take a leading part in the world of commerce than ever before. In England the various tangles that complicated the problems of readjustment are being straightened out, and there is no question . . . that normal conditions will be restored within a reasonably short time. The immediate outlook in France is not so hopeful, but the task of rehabilitation is progressing and more rapid strides may be looked for as the nation steadies down again to hard work.

There has been outrageous profiteering in the shoe business during the last few years in this country. The profits of certain large manufacturers have been entirely unreasonable. The invariable excuse has been that increases in the price of leather and the advance in wages compelled the charging of very high prices for shoes. As a matter of fact, the cost of the labor for making a pair of shoes is a relatively small item as compared with the price charged the consumer, and certainly the increase in the cost of labor per pair of shoes has not been anything like the increase tagged on to the final price.

Opinion has been generally bearish on the motor stocks for some time, but leaders in the industry do not appear to be worried as to the outlook. Various companies have recently declared that no reduction in output has been made or is in contemplation. The Willys Export Corp., which handles all foreign business of the Willys-Overland Co., reports that the demand for cars for export is sufficient to absorb 40% of Willys-Overland's output. But owing to strong domestic demand, no such proportion is available for export.

Fifty years ago

This is essentially a time when business should be tempered with mercy. It is next to impossible for discharged workers to find other employment. That is one consideration—one worthy of serious thought. Another consideration is that the bottom probably has been reached in many directions. Executives who up to now have been governed by humaneness should think twice before becoming cold-blooded. Solvency is, of course, essential and dividends are tremendously desirable. But if industry and business should demonstrate that they are governed solely by mercenary selfishness, then heaven help them whe rank and file of voters get opportun register their resentment.

With the completion of the Eighth subway only a year away, it worthwhile looking into the New City transit situation. Under the of a bond issue which financed Eighth Ave. subway, the city wa lowed three years to experiment the fare, at the end of which time it charge a fare which allows operatin penses, interest and some amortiz The best estimate is that a 12-cen would be necessary to accomplish purpose if the subway is to be opera a single unit.

Twenty-five years ago

Uranium hucksters will be broug heel by next fall if Senator J. Wi Fulbright (D., Ark.) wins passage new bill. The bill would deny use mails, telephone and telegraph to an violating U.S. securities laws, thus ting the heat on irresponsible Can brokers who have been using high sure methods to peddle worthless um shares to U.S. investors.

Last month Lockheed's fortunes h even higher in one of the biggest avi events of the last decade. . . . Ame Airlines, the nation's largest dom air carrier, placed a whopping $65 lion order for the first 35 of Lockh swift, 400-mile-an-hour Electra ports. . . . For [Lockheed President ert E.] Gross it was an especially sa ing coup. In the deal he had snatc loyal customer away from his long rival in commercial planemaking, D las Aircraft's Donald Douglas. Ame in fact, had not bought a Lockheed for 20 long years.

Lockheed's new 400-mile-per-hour Electra
American Airlines' 35-plane order was its first from Lockheed in two deca

BARCLAYS BANK HELPS RALLI CONEY THREAD COTTON FROM CALIFORNIA TO KOREA.

Ralli Brothers and Coney, one of the world's leading cotton merchants, exports to the fast-growing cotton industry in Korea. Here cotton is made into everything from high fashion dresses to neat, simple white uniforms for the schoolchildren.

The Barclays Bank International group helps Ralli Coney finance the movement of cotton crops throughout the world. Barclays in California provides finance for Ralli Coney to buy from Californian farmers. In Korea, payment is made through letters of credit handled by Barclays in Seoul.

We have our own people and our own branches wherever they are needed for international trade. The Barclays International group is in over 75 countries spanning five continents. We are in Paris, Sydney, Tokyo and Dubai. As well as in San Francisco and Seoul.

We help most of the world's successful international companies. Somewhere there is a market where we can help you.

ASK BARCLAYS FIRST

BARCLAYS International

rclays Bank has over 120 branches in North America. Corporate enquiries will be welcomed by:

e President, Corporate Business Development, Barclays Bank International, 200 Park Avenue, New York, N.Y. 10166. Telephone (212) 687 8030.

or Vice President, International Banking, Barclays Bank of California, 2971 Wilshire Boulevard, Los Angeles, California, 90010. Tel. (213) 385 1501.

e President, International Banking, Barclays Bank of California, 111 Pine Street, San Francisco, California 94111. Telephone (415) 981 8090.

clays Canada Limited, Suite 3505, Commerce Court West, Toronto, Ontario M5L 1G2. Telephone (416) 862 0594.

Ashland thinks it's time to talk to small investors.

The 16 pages of Ashland's young people's annual report are colorfully illustrated in the incomparable comic style of the popular artist, Jack Davis.

This year Ashland published two annual reports. One for today's investors. One for tomorrow's investors: the new generation, which has the biggest stake in America and its economic system.

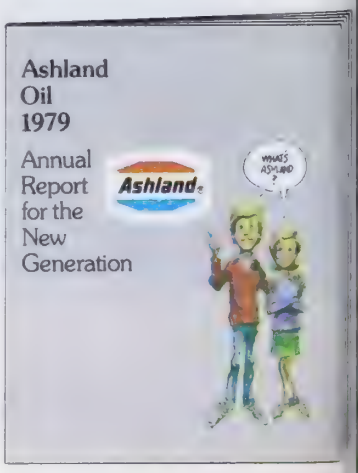
And which, we feel, needs to understand better how it all works. And why.

This unique report shows how private investors make our progress possible. It tells the story of how savings provide the money for investment. It explains how this in turn generates the capital needed for an energy company such as Ashland to operate refineries. To mine coal. To search for more oil, more natural gas. To develop alternative sources of energy

And, of course, to provide more jobs.

Ashland's "Annual Report for the New Generation" talks to young people about some very serious subjects in a fresh, entertaining way. We think it's a good investment in the future. Because the new generation is the future.

For a free copy for yourself or a youngster you know, write: William P. Hartl, Financial Communications Dept., Ashland Oil, Inc., P.O. Box 391, Ashland, Kentucky 41101.



Fact and Comment

By Malcolm S. Forbes, Editor-in-Chief

SNARE AND DELUSION DEPT.

Making tax cuts that are totally unrelated to spending cuts.

FEDERAL JUDGE REAL MAKES JUSTICE A REALITY

al District Judge Manuel Real recently threw out California laws regulating nuclear power plants and onstruction. Said the judge in invalidating these laws, re either in conflict with or substantially impede the regulation of nuclear energy reserved to the Federal Government by the Atomic Energy Act."

Amen.

Move to the head of the Federal Judges' class, Manuel Real.

WASTE DISPOSAL: A BIG NO-ISSUE ISSUE

, swiftly, sensibly disposing of toxic wastes—not just uclear variety—seems to be a mounting major problem. countrysides, states and even the nation are forbidding use of present disposal areas in their bailiwicks. Public nce springs from concern over the possible escape of sorted stuffs in harmful ways—by seepage and into the uting earth and water.

efore our industries and plants begin choking on vn wastes and before we further cripple the develop- f atomic energy over waste disposal, why doesn't e among the Feds or other Nay-saying Powers implement a solution that already exists and is simple?

As Frank Lee, president of Foster Wheeler Corp., pointed out in FORBES a while ago *(Sept. 3, 1979)*: "You condense the waste to get most of the water and stuff out of it, lock it up in a glass casting, and store it in a salt mine. A salt mine because it's been there for millions of years without change and if there had been any water around there wouldn't be a salt mine. A glass cube because it's impermeable. So as an engineering problem I view nuclear waste as nonexistent. A hundred years from now, we'll look back at this dispute and laugh at ourselves."

WINNIE WAS RIGHT ON WAY BACK

not believe in the power of the state to plan and No matter how numerous are the committees they set ne ever-growing hordes of officials they employ, or the of the punishments they inflict or threaten, they can't h the high level of internal economic production achieved under free enterprise. Personal initiative, competitive selection, and profit motive, corrected by failure and the infinite processes of good housekeeping and personal ingenuity, these constitute the life of a free society."

—*WINSTON CHURCHILL*

WE CAN TAKE SOME COMFORT

ct that our country is not without appeal for foreigners many of them choose to ignore our appeals to them, mpic boycotts, halting Iranian trade, etc.

year, for the first time, foreigners touring the U.S. will outnumber Americans touring abroad. The dropped dollar will cut our vacationers abroad to 8 million, says the U.S. Travel Service, while, as a result of the same dropped dollar, 8.2 million will visit here—not including Mexicans and Canadians.

The following article is excerpted from the national ADL Bulletin *of the Anti-Defamation League of B'nai B'rith*

FORBES IN ISRAEL

By Lynne Ianniello, executive editor of the ADL Bulletin

Until last March, one of the few things Malcolm Forbes had never done was visit Israel. He went at the suggestion of Maxwell E. Greenberg, the Anti-Defamation League's national chairman, and Abraham H. Foxman, its associate national director. They offered to introduce him to political, military and business leaders, ordinary Israelis and Arabs, and show him the country. Mr. Forbes, together with the magazine's editor, James W. Michaels, and senior editor, Malcolm S. Forbes Jr., accepted.

Now in New York, Malcolm Forbes discussed the trip.

"It was," he said, "seven physically exhausting but mentally stimulating 12-hour days. . . . All the Biblical things of the Christian religion—Bethlehem, where Christ was born, the Stations of the Cross. Then, the Wailing Wall, the mosques. To be walking around things you'd heard about all your life, things with mythical proportions. And everything so close, like a neighborhood."

The informality and intimacy lessened the historical dimensions, he said. But as for the rest. . . .

"You know," he went on, "you read about the greening of the desert, the creation of an economy, of a small but potent nation. The impact of seeing it is beyond what you had anticipated. In little time, from a relative material nothingness, has come one helluva series of impossible accomplishments."

What impressed him most was "the caliber of the people" and "the thriving democracy. Israel began thinking as a nation—survival was involved. There can be such vigorous dissent and argument, but when the whistle blows, then the nation is a single unit."

He visited the West Bank, the Sinai, air bases, the Negev, settlements. "Being there gives a different dimension to one's understanding of the intensity of most Israelis' feelings about border changes. There are many who don't agree with the Begin policy on the West Bank," he said, "but there doesn't seem to be any difference of opinion about strategic things, tactical military positions that are elementary for survival. . . . There is the possibility that the PLO could cease to be the assassin. Sometimes responsibility changes radicals. But if I was an Israeli, I'd be less likely to take that chance than the rest of the world is. . . . [But] risks have to be taken, the stalemate can't endure in perpetuity. The peace agreement with Egypt was of monumental significance, it's where hope is."

According to Mr. Forbes, "While the Arabs' unanimity against Israel brings them unity, that is not their natural condition. These nations are as competitive with one another as Western Europe has been. Rivalry is more natural than cooperating together." And that, he said, is what Israel can count on. "As long as Israel is a militarily powerful entity, she will have friends in the Arab world. And as they become acclimated to the fact that Israel is, and shall continue to be, then it becomes an equation of who's going to be on whose side in what quarrel among the Arab nations. Time is on Israel's side."

(Left to right) *Malcolm Forbes Jr., MSF, former Prime Minister Yitzhak Rabin and Editor James Michaels*

The following were Mr. Forbes' comments on some Israeli leaders:

YITZHAK RABIN: "I was very impressed, more than I expected. It seemed such an unfortunate thing when he fell as Prime Minister over a small bank account. But I suppose to a lot of the world it seemed absurd that Nixon fell over something that to us was not absurd."

EZER WEIZMAN: "Maybe it's all charisma, but he's sharp, incisive and seems militarily knowledgeable. In the U.S. he is a very popular man, but I gather th not many Israelis take seriously that will be Prime Minister."

CHAIM HERZOG: "Very impressiv You know, in American public life y can meet a lot of people you wonder ho they got there. But I didn't meet anybo like that in Israel. They're all sharp, abl impressive. They have to be good. Mo of them have been tested and tried public office, and it isn't an easy public.

TEDDY KOLLEK: "Oh, fabulous. He h a one-track mind about getting thin done for Jerusalem. If Jerusalem's goi to be able to remain united, it's the Te dy Kollek approach that will make something the Arabs can li with and feel part of. T man's unique. The things gets done for the city! It's t bad you can't clone Ted Kollek for most of the citi of the world."

What surprised Mr. Forb about Israel was its sma ness, "that in such a conce trated area could be the d versity of accomplishmen the technological efficien that Jim Michaels point out in his article" [FORB *May 12*].

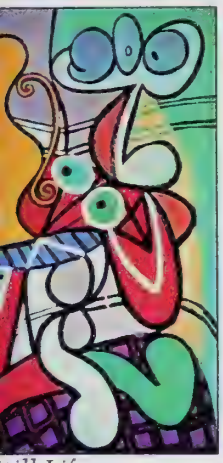
He likened America to rael. "If we sensed our dang we could be energy-independent in thr to five years. And when we achieve degree of energy independence, we'll al reduce the possibilities of confrontati with Russia. When you see what's be accomplished in Israel! Oh, granted nancial aid—but aid doesn't give digni of purpose, it doesn't create indust overnight, or technical skills or the fabr of whole new cities and the kibbutz ide or an absolute diversity of intellectu approaches to life and living as a nation

"You know, we have all the diversiti here, but we have a false sense of securi that the atomic umbrella created. we've let America get into a situati where we just aren't a military match f Russia in conventional capability—ar probably in atomic capability. We're ru ning extraordinary risks as a result of o sense of security.

"Israel shows what can be achiev when you're aware of the need. If we had sense of *our* danger, we would be powerf again, be a respected voice, have muscl clout. The lesson for us in Israel is wh unity of purpose can accomplish."

WHEN A PICASSO WENT FOR $3 MILLION

ion recently, it seemed to me incredible. And even eing that fabulous retrospective of 900 of his works ed by New York's Museum of Modern Art to celebrate its 50th anniversary, I still find that price unreal.



till Life on a edestal Table

Despite the painter's indisputable genius, you can see works of nearly every consequential style and artist of Picasso's lifetime equal to or better than his often satirical takeoffs—including his delightful ripoffs of old masters. But this painter, sculptor, sketcher, doodler never stopped tossing off bits and pieces and canvases from the time his fingers could first hold a brush.

To those of us with benighted eye, the recognizable works he did in his earliest decades are so much more appealing than after he picassoed. From then on he turned out by uncountable thousands those colorful distortions of eyes, noses, fingers and every imaginable thing.

With thousands of sold Picassos and thousands more warehoused, I thought the prices of his art and his vogue would quickly decline. It's just not likely that a three-mile length of modern works can long command prices that exceed those of the rare surviving works of Rembrandt, El Greco, Michelangelo.

If you do any collecting and view your art as an investment, your Picassos have peaked.

Acrobat Seated with Arms Crossed

IT'S MORE FUN

calling the tune than importuning.

AVOIDING OR MUTING CRISES

is often far better than precipitating them.

TURNING CARTER INTO A HOOVER

By M.S. Forbes Jr.

hat was a neat way Ronald Reagan ned the tables on Jimmy Carter h his tax cut proposal.

he Governor's program combines d politics with good economics. had been advocating the Kemp-h bill, which would reduce person-ncome tax 30% over three years. st economists wrongly assumed t such a reduction would be wildly ationary. In his package, Reagan s he would cut personal income es 10% for the next year—which is at Kemp-Roth would have done way. But because he mentions y one year rather than three, the ics are mollified.

eagan has also stolen the thunder n any potential Carter reindustria-tion scheme by backing the Jones-nable "10-5-3" bill, which would ralize depreciation schedules.

OP legislators in Congress will v be pushing Reagan's program, king a vivid contrast to the lack of as from Carter. At the same time, Republicans will remind voters t, under Carter, we've had the big-t tax hikes in history.

ince the Depression, the GOP has the image of austerity, of hard es; the Democrats, of big spenders of good times.

y coming up with programs such as s one, Reagan can begin to change itical perceptions so that the GOP becomes the coalition for real growth, low taxes and low inflation, not to mention the party of a credible national defense. The Carter Democrats will be seen as the group which, in Reagan's words, "fights inflation with higher taxes, rising unemployment and deepening recession." Jimmy Carter could, as fellow Democrat Teddy Kennedy points out, end up a Hoover-like symbol for his party.

Blue collar voters are up for grabs this year. Reagan has made an excellent start in attracting their support.

RESEARCH INCENTIVE

The Supreme Court decision to extend patent protection to new forms of life created in the laboratory is very beneficial.

The impact genetic engineering could have on agricultural production, in fighting diseases and in a whole host of other areas is staggering.

Companies, laboratories, individuals will have less hesitancy sinking more time and money into research, knowing that their breakthroughs will be protected. Scientists will have less need for secrecy on their projects if achievements are guarded by patents.

Risk-taking usually requires the possibility of reward. How many breakthroughs would have taken place in the enormously productive pharmaceutical industry without patent protection?

Perhaps gene-splicing and laboratory-invented bacteria may not live up to their potential, but at least we'll know far sooner than we otherwise would have.

HE'S NOT FLAWLESS

John Anderson's impressive poll showings are not likely to last as people get to know more about his character, especially the way he handles his flip-flops on issues.

Take the Kemp-Roth bill. Anderson was a staunch supporter of this legislation in 1978. That year he was facing a stiff primary challenge from the Republican Right in his congressional district. Kemp, who has considerable standing among GOP conservatives, came in to help because Anderson vigorously backed the tax measure.

Later, Anderson turned against Kemp-Roth, explaining that in the face of rapidly rising inflation such cuts were no longer appropriate.

But Anderson couldn't leave it at that. He now claims he never really was for Kemp-Roth in the first place, that he went along with the bill because the GOP leadership was for it. When reminded that he had written a magazine article supporting Kemp-Roth, Anderson said the piece was "probably" written by a member of his staff, that he himself "doesn't remember" it.

Why is it that those who claim to be more virtuous than the rest of us are so often so petty?

Other Comments

Often comments by others stimulate, irritate, abuse or amuse this editor's mind.–MSF

Vitamins Replace Prayer

Running, a good thing to be doing for its own sake, has acquired the medicinal value formerly attributed to rare herbs from Indonesia. . . . Jogging is done by swarms of people, out onto the streets each day in underpants, moving in a stolid sort of rapid trudge, hoping by this to stay alive. Bicycles are cures. Meditation may be good for the soul but it is even better for the blood pressure. . . . Vitamins have taken the place of prayer. . . . As a people, we have become obsessed with Health.

—Lewis Thomas, *The Medusa and the Snail*

Waste Solutions

The world's known uranium reserves are not expected to last more than a few decades into the next century, reaching exhaustion at about the same time as its known supplies of oil. But used in the right combination of thermal and fast-breeder reactors, they can be made to yield 50 to 60 times more energy, transforming nuclear power from a temporary contributor to the world's energy needs into a quasi-permanent solution. Michel Pecqueur, the head of the French Atomic Energy Commission . . . stresses the fast breeder's dramatic implications for a country like his own, which has no oil, no easily exploitable coal but a little uranium ore.

"We have about 100,000 tons of natural uranium ore in France, which . . . in fast breeders would be worth 50 billion tons of oil," he says. "That's equivalent to the entire proven oil reserves of the Middle East. Our energy problems would be solved for generations." . . . France has worked ferociously to carve out a world lead in fast breeders as well as in the associated technologies. These include the large-scale reprocessing of spent thermal reactor fuel in a new plant at La Hague to separate out its plutonium harvest and the vitrification of the dangerously radioactive liquids that result, so they can be buried away for centuries under the Pyrenees Mountains in the form of great black lumps of hardened glass.

—Paul Lewis, *New York Times*

I loved you enough to accept you for what you are, not what I wanted you to be.

—Erma Bombeck

You Don't Say!

For years, industrial psychologists and management consultants have stressed three basic approaches to motivating workers: setting specific production goals, letting workers participate in setting goals or in other work-place decisions, and "job enrichment"—increasing the variety, autonomy, responsibility or scope of a job. Now an academic review of 80 studies evaluating these techniques has shown that money works best.

Edwin Locke and his colleagues in industrial psychology at the University of Maryland found that various monetary incentives led to a median increase in productivity of 30%. The most effective approach of all involved monetary i tives tied to clear-cut production By itself, goal-setting produced o 16% increase in productivity; job e ment yielded 8% to 16% incr Worker participation in making sions was least effective of all—i duced a median increase of less tha

The researchers say the recent g of supposedly scientific knowledge human behavior may have made i trial psychologists lose sight of thing as basic as money.

—Berkeley Rice, *Psychology T*

Chicken Lib

A preference for free-range eg based partly on the theory that a ch that spends its life roaming arou barnyard instead of being crammed the wire cages used for what are c battery or factory or deep-litter hen healthier fowl that is likely to prod better egg. But in England, where cern for dumb animals is so acute there may well be people willing to et beekeepers for keeping their be crowded conditions, part of the stea the Free Range egg movement c from groups with names like Chi Lib—groups that object to hens lead "thoroughly miserable existence." cording to the brochure of an orga tion called Compassion in World F ing, factory farm animals "degrade sensibilities of all who work with th while free-range animals "through active self-expression . . . make a able contribution to the countr scene."

—Calvin Trillin, *Alice, Let'*

How Henry K Caught 'E

Kissinger won a medal for the s with which he had managed to roun the members of a local Gestapo-uni really wasn't too complicated for an who understands the German me ity," he told a friend years later. "I m ly put an ad in the local newspaper sa all Germans with police experience wanted jobs should show up at com headquarters, the next day, at a ce time, and sign up. The Gestapo pe showed up and signed up by the doz

—Marvin and Bernard K *Kissi*

Sleepless? Try Not To

George Burns tells a story about Benny always complaining that couldn't sleep last night. "I'd ask how he slept the night before last. I say fine. So I'd tell him to sleep e other night. I feel that if I sleep, fine don't, fine. If you can't sleep, try to awake. You won't be able to do it."

—*Wall Street Jo*

Pepper... and Salt

"If your wife thinks you're worth more money, Harper, perhaps you should work for her."

One reason to buy:

his new Learjet 25D ies 16 passenger miles n one gallon of fuel

ere are four more reasons:

It costs less than million.

Only one business jet carries ht passengers and has a price under $2 million. And you're king at it.

You get nearly two million les of engine warranty.

General Electric fully warrants reliable engines, including 100 rcent parts and labor, should e need removing for engine-used repair during the first 00 hours of flight. That's equivalent to eight years of normal flying — nearly two million miles.

3. We've made some great improvements to the airplane.

Most noticeably, the new Century III_S (Softflite) wing makes the 25D even more docile in landings, while maintaining traditional Learjet high performance.

4. You can get one quicker than you think.

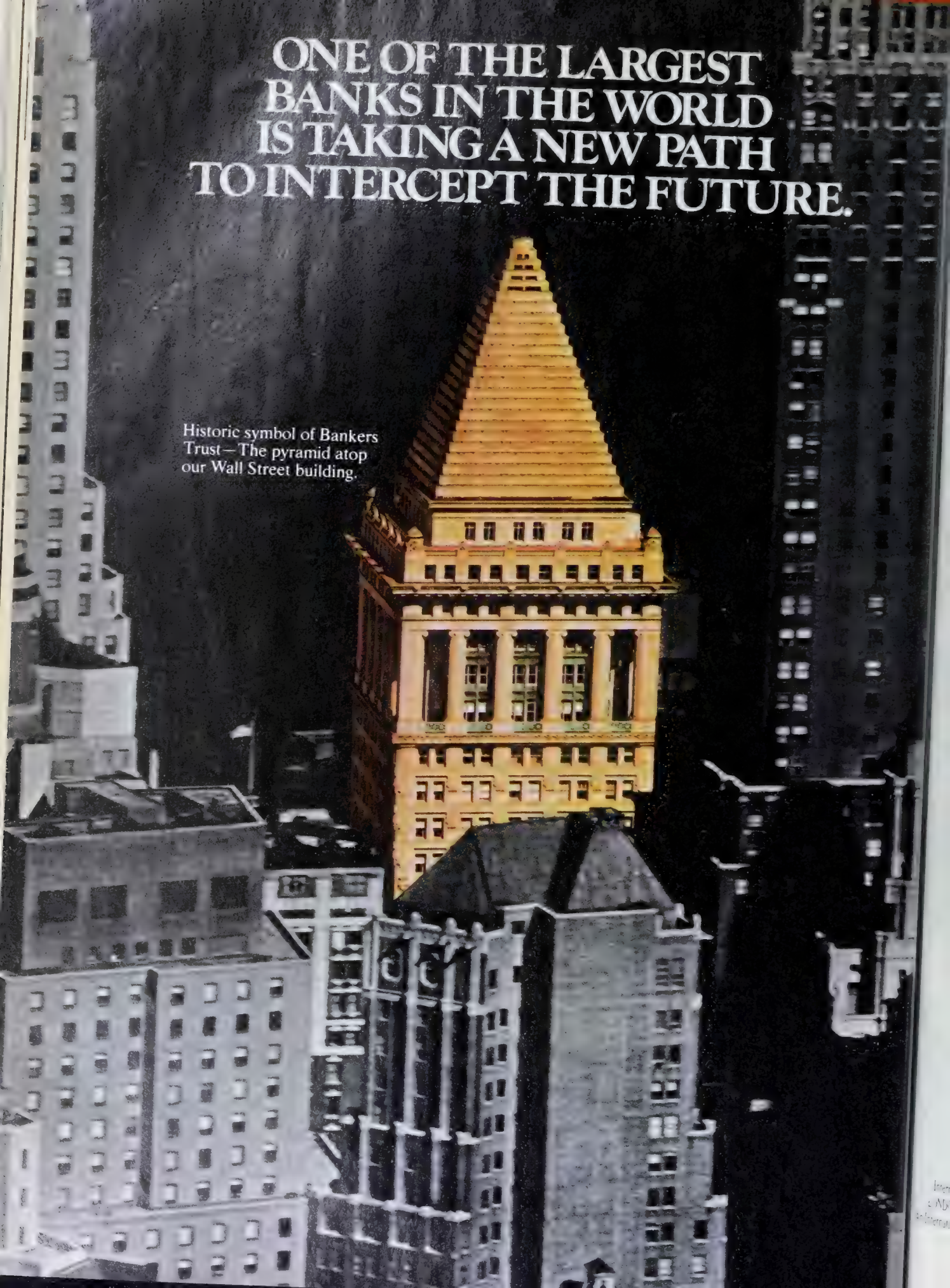
We've just increased production. That means a few more 25Ds are coming available in the months ahead. For specifics, call either Phil Lovett, who's in charge of U.S. sales, or Finn Hedlund, who is responsible for international sales. They're both at (602) 294-4422.

Gates Learjet Corp., P.O. Box 11186, Tucson, AZ 85734. Telex: 666-408.

Gates Learjet

Member of GAMA

Now building our second 1,000.


ONE OF THE LARGEST BANKS IN THE WORLD IS TAKING A NEW PATH TO INTERCEPT THE FUTURE.
Historic symbol of Bankers Trust—The pyramid atop our Wall Street building.

WE'VE MATCHED OUR STRENGTHS TO YOUR NEEDS.

Bankers Trust has four core businesses, now in place, each of which reflects one of the four principal requirements of corporate, governmental or institutional financial officers. These core businesses represent our special strengths. They are wholesale commercial banking, money and securities markets, corporate finance and fiduciary.

Wholesale commercial banking, our major business, is now organized into departments that match the *markets* on which we concentrate: *World Corporate* serves the worldwide needs of both U.S. and foreign multinationals, as well as certain specialized industries such as energy, commodities, shipping, and airline companies. *United States* focuses on large and middle market domestic corporations, financial institutions and government-related business. *International* concentrates on foreign governments and their agencies, and on foreign financial institutions and corporations.

Our new structure has accomplished two things. It allows us to respond more directly and more selectively to the growing needs of our customers. And it has placed us squarely in position to help our customers solve the financial problems of the future. Starting today.

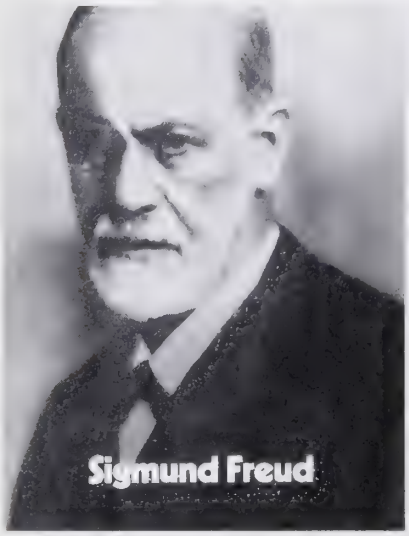
Bankers Trust Company

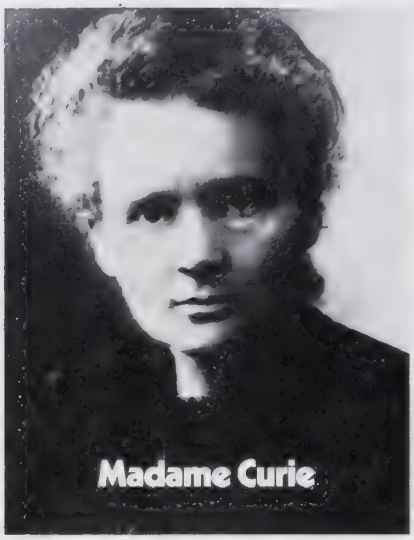
Worldwide

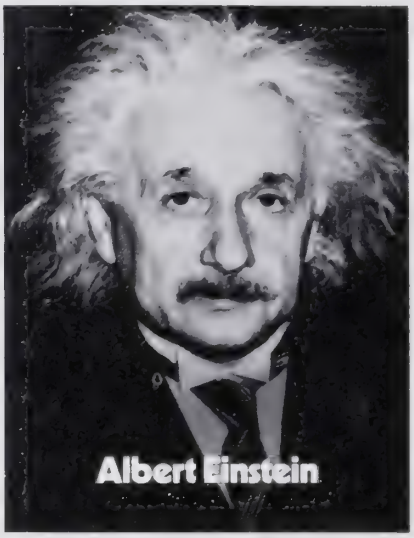
International Banking Subsidiaries in the United States: Chicago, Houston, Los Angeles and Miami. Overseas Branches: LONDON, BIRMINGHAM, MILAN, PARIS, TOKYO, SEOUL, SINGAPORE, BAHRAIN, NASSAU and PANAMA CITY.
n International Banking Network of branches, subsidiaries, affiliates and representative offices in over 30 countries on 6 continents.

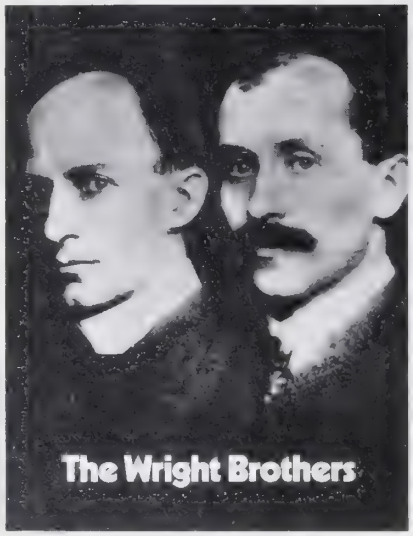
Member Federal Deposit Insurance Corporation © Bankers Trust Company.

Great problem solvers of the 20th century.

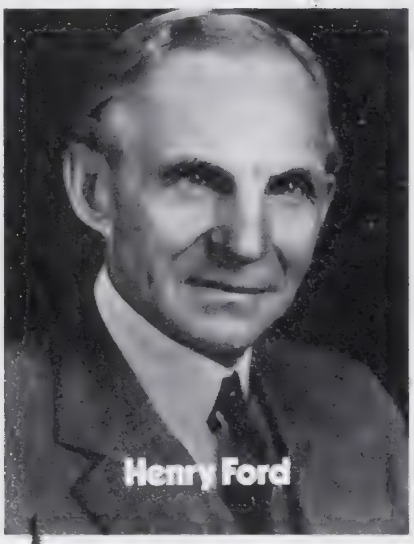








The Bettmann Archive



First there was Freud.

Then Madame Curie.

Then Einstein, the Wright brothers, Henry Ford and Leo Brandstatter.

Leo Brandstatter?

Like all AIG Risk Management account executives, he's doing for his profession what other greats have done for theirs.

Solving problems that many would consider unsolvable.

Like setting up note programs to improve cash flow where there is none.

Using captive reinsurance facilities in developing plans to minimize your income tax.

And making financial protection affordable at a time when everything else isn't.

AIG has one of the most experienced risk management services anywhere.

In fact, our people have solved problems that others don't even know exist.

That's important for you to know.

Because when it comes to solving problems, a company that's still gaining experience could leave you with a bad experience.

Which is why the world will always remember the contributions of Freud, Einstein and Brandstatter.

AIG Risk Management.

The AIG Companies.

Let us take the risks.

For more information, contact AIG Risk Management, Dept. A, 70 Pine Street, New York, N.Y. 10005. A Member Company of American International Group

r months ago American Motors was the U.S. car company that looked good. Now ds are rolling, red ink is flowing and AMC its edgy lenders are . . .

Waiting for Renault

By Allan Sloan

OW THAT CHRYSLER has gotten its first half-billion dollars courtesy of the U.S. taxpayer, guess which npany could be next at death's It could be American Motors, a few months ago acted as if it bout to own the world but now nevitably headed for the biggest its checkered history. That's the vs. The good news is that it probably won't be American taxpayers who pick up the tab but the French government-owned car company, Renault, which bought controlling interest in AMC last year. AMC, now nicknamed Franco-American Motors, gave Renault a potential 22.5% equity holding in return for $200 million of fresh capital to use to modify its ancient assembly plants to produce Renault vehicles in 1982.

But the $200 million will be far short of AMC's needs because the company's planning assumed profits between now and 1982. Instead, losses loom because AMC's sales of Jeeps and cars have suddenly plummeted. Last year AMC had the second-biggest profit ($83 million) in its 25-year history. This year it's heading for its biggest loss. AMC will say only that it expects a loss for the year, which ends Sept. 30. In the first half, it earned $14.1 million (44 cents a share). The number being whispered in Detroit is a staggering $160 million operating loss—a third of AMC's equity base. Late in June AMC announced it was laying off 10% of its executives. Three quarters ago the company was so confident it began paying a 7½-cent quarterly dividend, its first in five years. Last month it dropped the dividend. In March AMC Chairman Gerald Meyers spoke proudly to FORBES of the company's growing financial strength. Now it's looking for enough cash to meet its losses.

On top of everything else AMC has a problem with its banks, which in January gave it a $150 million, seven-year credit line replacing a $102 million, two-year line. AMC made First National Bank of Boston the lead in the 13-bank consortium. During AMC's lean years, Bank of America kept the other banks in line through subtle (and not-so-subtle) pressures. Because of its losses AMC is in default of its loan agreement, or soon will be. Some of the banks reportedly are using this technicality as an excuse to call in their loans and drop out of the credit. "I suggest you contact the lead bank, we have nothing to say," BofA's man told us. The lead bank had nothing to say, either.

AMC badly needs short-term funds. The company said recently it had used $90 million of its $150 million bank line, up from $12.8 million on Mar. 31. It has used $60 million of the $200 million Renault commitment, and needs the rest to develop its forthcoming line of gas-stingy Renaults, not to meet operating losses. The government already has Chrysler on its hands, and no doubt remembers that two years ago AMC informally sought federal loan guarantees, then withdrew the request because it decided it didn't need the money. The only place left to go is Renault. Rumor has it that AMC's creditors are trying to get Renault's name on the dotted line along with American Motors'. *Vive la France!* ■

n Motors' Gerald Meyers
ng on his French connection?

Here's one Japanese industry that can't compete with the Americans. But here, too, because of energy we may be losing our edge.

Japan's aluminum woes

By Atsuko Chiba

THE SCENE IS FAMILIAR. Factories shut down, fortunes in machinery lying idle. Production has grown uneconomic, unable to match foreign competition. Pittsburgh, Cleveland, Detroit or Mahwah, N.J.?

No, the scene is Niigata, Japan, an hour north of Tokyo by air, part of Japan's aluminum industry, the Free World's second largest. While North American giants Alcoa, Reynolds, Kaiser and Alcan are basking in their best years ever, Japanese smelters have been retrenching—victims of the energy crisis.

Aluminum smelting's electrolytic process requires massive doses of energy, at least 5 times more than steel smelting. Having no oil of its own, Japan buys expensive foreign oil to generate 72% of its smelting power. By contrast, only 14% of U.S. aluminum smelting uses oil- or natural gas-fired electricity. Most U.S. smelting power is generated by bargain hydroelectric (38%) or coal (41%) power sources. That means on average U.S. smelters pay only 15 to 16 cents for enough electricity to smelt a pound of aluminum. Japan pays 45 to 50 cents, Merrill Lynch reckons. That's too much of a cost disadvantage. Not surprisingly, Japan is bailing out of much of its ingot production capacity, where the energy consumption is highest. It is concentrating on the latter stages of the aluminum production cycle, rolling or casting ingots into auto parts, foil and other products. That requires far less energy.

Last year Japan's Ministry of International Trade and Industry asked aluminum producers to shut 30% of smelting capacity. When MITI whistles, Japanese industry dances. Aluminum smelters like Niigata's Nippon Light M agreed. That leaves Japan with a sm ing capacity of 1.15 million tons, slig larger than the U.S.' second-largest minum company, Reynolds, but smaller than industry giant Alcoa.

While Japan has been cutting b world demand for aluminum has bursting at the seams. While Japan's minum smelters are suffering, the industry is turning handsome profits 1985 *(see chart)*, for the first time years, Japan expects to import more minum ingots than it produces.

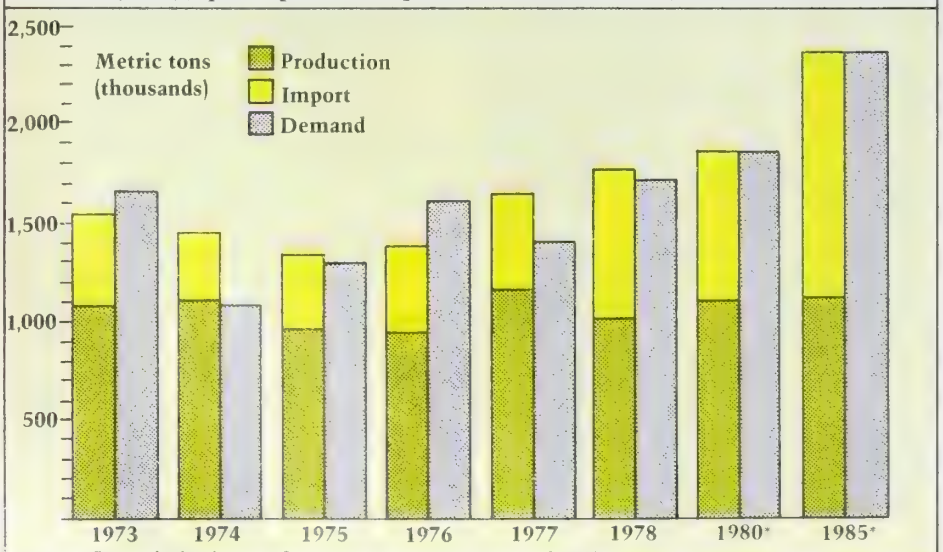
The Japanese shutdowns have he the smelters. With curbed ingot su and rising worldwide demand, Japa smelters were able to raise prices times in the last 18 months, to $2,3 ton. That's $500 more than the Am can price, but with some protective iffs the difference is not that great. analyst with Nomura Research Instit an arm of Nomura Securities, estim that by last March the deficits of J nese smelters had been cut to $270 lion from $400 million a year earlier. the relief may be only temporary. W international recession on the hori and aluminum demand slacken prices may fall, once again undercut the Japanese smelters. What's worse, yen is rising against the dollar, encou ing import of American ingots.

Long term, the Japanese strategy i open new capacity in energy-rich co tries like Australia, Indonesia and Br Japan's Aluminum Federation manag director, Masami Ogawa, says that 1985 half of Japan's aluminum imp will come from its share of those for investments, so far in seven countr At least one Japanese producer has a h start on that strategy. Nippon Light M als, half owned by Canada's Alcan minium Ltd., increased ingot imp from Alcan while focusing on the m eymaking part of the Japanese alumin business. That's the way Japan will it from here on out.

But Japan's dilemma is a two-ed sword, not an unalloyed delight to the American smelters. That's because cheapest way to make aluminum is melting scrap-aluminum beer cans, sid and so forth. Recycling eliminates 95% the energy required to produce alumin from scratch. American compan which on average depend on scrap about 20% of their aluminum producti love that scrap. But the Japanese lov even more. In 1977 American scrap ports totaled only 200 million pou Last year they shot past 600 million, m bought by the aluminum-hungry Ja nese. And when the Japanese hit market, scrap prices leap, irritat American aluminum companies. T the Japanese retreat. Prices fall, but not long. At the moment the Japanese are of the market, and the U.S. auto industr

Japan's "smelt down" in aluminum

Unable, because of soaring energy costs, to compete with world suppliers, Japan's aluminum producers have been shutting down smelters. By 1985, for the first time in years, Japan expects to import more aluminum ingots than it produces.



*Estimate by the Aluminum Committee of the Industrial Structure Council

ap user, is knocked out. But the se will have to wade back in, bring- daches for the Americans.

Japanese predicament helped nternational ingot prices above 90 pound about six months ago, far he 68 cents a pound Chase Econo- s figures the American industry to justify reinvestment in new and equipment. A word to the owever: What is Japan's problem nay be the U.S.' tomorrow.

e America's energy situation isn't so bad as Japan's, it is headed in neral direction. Some of its rela- cheap power sources are fading, or ng uneconomic.

industry's Washington state ville Power Administration con- signed at dirt-cheap rates in the expire in the Eighties and early es. The best scenario is that the um companies will be able to re- em at rates far higher than to- and we're talking about 30% of America's smelting capacity. Worst scenario: Smelters won't get enough dependable Bonneville power, leaving aluminum companies two choices—buy extra power or shut down. Buying extra power isn't cheap. Last winter purchasing power from out of state cost 5 or 10 times Bonneville prices. Building new power plants, which primarily means nuclear, is chancy in today's antinuke political atmosphere. In the Ohio Valley, environmental restrictions on coal development and usage are making life more difficult, and soaring natural gas prices have turned Gulf Coast smelters marginally profitable.

Like the Japanese, several U.S. majors are hedging their bets by investing in Australia, rich with cheap lignite power, lots of bauxite and wide open spaces to exploit both. With Australia's costs about 3% lower than *current* American aluminum smelting costs, it doesn't take a genius to see why Australia is the new El Dorado of aluminum. American and Japanese companies are pouring millions into Australia, aiming to increase smelting capacity down under tenfold by 1985. Hydro dreamland Brazil is likely to be the next hot spot.

Therefore, without some serious changes in U.S. energy policy, companies such as Kaiser Aluminum are saying they are not likely to build any new U.S. smelting capacity, so say good-bye to more potential jobs and industrial muscle. Like Japan, the U.S. will lean toward importing aluminum at a time when the light, energy-conserving metal will enjoy unsurpassed demand in the U.S., especially in construction and in autos. Ford, for instance, plans to double its use of aluminum between now and 1985. The two big aluminum-workers unions just signed a three-year contract making them the highest average hourly wage earners in American labor, edging past the steel industry. Right now, everybody's happy. But so were the Japanese, only a decade ago. ■

ark's Don Kelly took his time preparing to the bullet. When he bit it, he really bit it.

Growing by shrinking

By Bob Tamarkin

I JUST WISH you didn't always o do things on such a cosmic complained an Esmark Inc. direc- seriously at the end of the com- latest board meeting.

rk President Donald P. Kelly laughed. A ruddy-faced man of 58, Don Kelly laughs a lot. But don't be deceived: Underneath he's tough as a nail and just as sharp—especially when it comes to numbers. Hell, all he was suggesting was shrinking the company to less than half its size, from $6.8 billion in sales down to $3 billion. Then selling off its most profitable division, Vickers Energy, which contributes 41% of earnings on just 14% of sales. Then getting out of meatpacking, its original business, altogether—closing down maybe $300 million worth of unprofitable plants and hoping to sell the rest. Then buying in half of Esmark's 22 million common shares. And buying up a few specialty chemical firms and consumer products companies.

Along the way, Esmark would take a big bath—maybe as much as $200 million this year—but, by announcing the good news about the tender along with the bad news about the writeoff, he watched his stock go up instead of down.

Although Kelly's blitzkrieg had been formally in the works for just a year, its origins date back to the last days of the acquisitive Sixties. Outfits like Jimmy Ling's LTV (Wilson), Charlie Bluhdorn's Gulf & Western (Armour) and Eli Black's

Energy is where you find it

nark isn't the only nonoil company with energy re- ves. Below, ten others in the same position. The valu- ations are, necessarily, a bit arbitrary. But they are conservative, reckoning only proved reserves.

any	Recent price	Shares outstanding (mil)	Proved U.S. reserves[1] Oil & liquids (mil bbls)	Gas (billion cu ft)	Oil equivalent[2] (mil bbls)	Approximate sale value of reserves[3] ($mil)	Value per share	Value/price per share (%)
t	72⅞	10.3	6.8	478.3	86.5	$ 679.5	$65.97	90.5%
nond Shamrock	30⅛	52.9	37.2	749.2	162.1	1,382.9	26.14	86.8
ALB AgResearch	35¼	12.0	11.1	71.6	23.0	222.7	18.56	52.6
Grace	39	47.0	45.8	313.1	98.0	941.0	20.02	51.3
santo	53	36.5	32.5[4]	800.0[4]	165.8[4]	1,390.0	38.08	71.9
-Ohio	30	2.9	2.0	55.4	12.2	93.3	32.16	107.2
eynolds Industries	39⅝	103.9	130.0	655.0	239.2	2,378.8	22.89	57.8
a Fe Industries	57	29.8	126.3	141.9	150.0	1,693.0	56.81	99.7
hdown	65¾	3.9	4.0	67.9	15.3	132.9	34.07	51.8
n Pacific	43	51.0	120.5	1,500.0	370.5	3,321.0	65.12	151.4

ed reserves are those economically recoverable given current prices and technology. [2]6,000 cu ft of gas (6 mcf) = one barrel of oil.
ation basis: $12 per bbl, $1.25 per mcf. [4]Bache estimates.
Bharat Sabgal and Osman Eralp, Bache Halsey Stuart Shields

AMK—now United Brands (John Morrell) were dismembering meatpackers like a Wichita slaughterhouse. Scared sensible, Swift & Co. (as Esmark was then known) decided to diversify itself before someone else did. Don Kelly, a tough-minded numbers man from the South Side of Chicago, then comptroller and vice president of corporate development, was in charge of that reappraisal. Kelly's report: Get out of meatpacking, but not before a nonmeat base has been built up through diversification substantial enough to permit the company to take full advantage of the likely tax-loss carryforwards.

It took Esmark close to a decade to do that, buying excellent companies like Playtex, Vickers Energy, Jensen Stereo, STP, TransOcean Oil and, most recently, Danskin. One by one Swift's aging plants were closed down, 55 in all over the past decade—many of them too far from the herds to be competitive any longer. In 1976 Esmark brought in marketing professional William Watchman from Colgate-Palmolive to make one last try to revive Swift with new products like Sizzlean breakfast strips, Firebrand Beef Strips and Homemade Soup Starter. What finally convinced the board that Esmark had no future in meatpacking, says Don Kelly, was a trip he made about three months ago to Swift's Clovis, N. Mex. beef plant. "That plant was losing $2 million a year," says Kelly, a cold glint coming into his eye. "Why? Because its wage scale averaged $14 an hour as compared with its competitor's $8 an hour." But the national leadership of the meatpackers union refused to bring wage scales into line, even under threat of closure. The union also refused Kelly's offer to sell Swift's profitable plants to its employees (as Rath Packing is now trying to do)—even when Esmark offered to fund the $200 million in unfunded pension liabilities that had scared off all previous suitors.

"That's when I got macho and decided to turn the lights out in meatpacking altogether," says Kelly. "But then I took another look at the numbers and thought 'Why take a couple of hundred million writeoff more than I have to?' I decided we ought to be able to sell our profitable meat plants for somewhere between $190 million and $210 million."

Nothing's been sold yet, but Vickers is certain to attract lively bidding; we all know what oil companies are going for these days. Vickers should bring in enough money to pay for the stock tender and leave enough cash for acquisitions. The guessing is that Vickers alone may be worth as much as $50 a share on Esmark's price. What with the meatpacking losses stopped and the capitalization halved, Esmark should report a big earnings bulge next year; $7 to $10 a share versus $4.21 in 1979.

But what if no corporate or foreign buyer surfaces for the meat plant? (Kelly says some undisclosed Germans have been interested.) Well, there is always the possibility of a leveraged buyout by existing Swift management.

All of which leaves Esmark shareholders with an interesting choice. They can tender their shares back to Esmark for $30 per share in cash and $40 in debentures—a package worth $55 to $60 a share in the marketplace for a stock that sold for half that a few months back. Or they can stay with a highly profitable stripped-down Esmark.

In business school they'd call all "redeployment of assets." Kelly cal "giving our stockholders some tions"—meaning giving them a ch to sell at a reasonable price if they out. What if the remaining shares after the tender is completed? "V we'd probably tender for some m says Kelly, laughing but clearly mea it. He adds that even the core com itself might be for sale if the price right. Now, those are sentiment warm any investor's heart. ■

"When it works, don't fix it," says Eastern A Lines about its stripped-down but profitab Washington-New York-Boston runs.

Shuttling through

By Jerry Flint

ANY DAY NOW some lucky passenger will be plucked out of line and hailed as the 50-millionth rider on Eastern Air Lines' Washington-New York-Boston shuttle. Naturally there will be some presents. Of course, if Eastern wanted to do something *really* nice, it would empty the seats on either side of Mr. 50 Million, just to let him, once, escape the typical shuttle seating position: elbows jammed to the sides, knees pointed toward the chin and other people everywhere.

"No," says Walter J. Dane, Eastern vice president in New York, "that would destroy the shuttle's profitability. We need every passenger."

For readers who have never ridden the shuttle, it is the East Coast lifeline, connecting Washington, whence all favors flow, to the business-university centers in New York and Boston. It's not a flight for tourists, but for briefcase-toting men and women, bureaucrats, consultants, politicians, bankers and lawyers lawyers lawyers. The business downturn isn't going to stop this traffic. "I never knew a recession that affected the government," says Edmund Greenslet, vice president and airlines analyst at Merrill Lynch. Shuttle volume for the first five months of this year is 1,274,491, up a nudge from 1,227,228 the year before, which bad in a recession period. Last year shuttle carried 3,251,260 passenge record helped by the strike at United the DC-10 fracas that threw extra b ness the shuttle's way.

Spartan it is. There's no coffee, te Coke, let alone Cutty or claret serve board. At LaGuardia Airport boardin a nostalgia trip. Passengers trot ou the runway and climb up the plane's stairs. If it rains, there are umbrellas, that will not keep you dry in the air gusts. No reservations. No advance t eting. Just standing in line and payin board with cash, check or credit card

Obviously, then, Eastern must be m ing barrels of money on the run, espe ly considering that the 55-minute now costs a tough 60 bucks, comp with only $14 when the shuttle sta in the early Sixties (this year alone tariff is up 15%). Not so, Eastern cla it is only "marginally" profitable. biggest problem, Dane says, is the ru shuttle: Everyone has to get on, and means when the plane is filled you another one up. This, in turn, means Eastern has to keep extra planes crews on hand for any overflow. keep 18 airplanes on hand where 7 w suffice," says Dane. What's more, w the planes were once the Eastern overs, today the regular fleet is lar

retch 727s seating 177, plus older
res carrying 105 on the Washing-
; A-300s on the Boston run. The
could improve, notes analyst
let, if Eastern's big European-
-300s could land in Washington,
the passenger load would climb
need for spares fall. However,
residents have fought against tak-
wide-bodied planes at Washing-
ational Airport.

narginally profitable isn't bad for
ne this year. In the first quarter,
f ten trunk carriers were in the
l only Delta and Eastern made a
For Eastern it was small—net in-
f $3.5 million.

rn has now captured 90% of the
gton-New York-Boston air travel,
the 35% to 40% it carried before
he start of the shuttle. Eastern's
nt in 1961, Malcolm McIntyre,
p with the idea but, admits Dane,
rejected "by everyone, including
IcIntyre had his way. From time
Eastern has tried to change the
without too much success. A de-
o it added what it called "ameni-
which meant getting tickets on
und and drinks in the air. All that
was a barrage of complaints. The
ys returned. "When it works,
it," says Dane. ■

Shuttle crowd boarding at New York's LaGuardia Airport
"I never knew a recession that affected the government."

e's a big hole in the ground in Oakland, f.—and a great plot for a spy movie.

Attention, Alfred Hitchcock, wherever you are

By Michael Kolbenschlag

VID A. SELF, city manager of
Oakland, Calif., looks worried as
e chomps on the butt end of a
melling "Black Jack" Cuesta Rey
He stares at the master plan for
ty development plastered on the
posite his desk. "If we don't real-
plan," he says, "it would be bad
city."

nd has ambitions. Already
g the second-largest container
he U.S., the city planned to have
the first U.S. commercial condominium complex specializing in trade with the Far East. That project, Hong Kong/U.S.A., was conceived as a seven-phase extravaganza costing upwards of $250 million. The idea was to have all units in the complex purchased by Asian merchants and investors with an interest in doing business in the U.S. Hong Kong/U.S.A. was to be the centerpiece of Oakland's business development plans, which include two hotels, a convention center and posh urban residences.

At the moment, though, Hong Kong/U.S.A. is a one-square-block hole in the ground in downtown Oakland. Tons of concrete have been poured, but all work has stopped due to an incredibly tangled web of international lawsuits that daily push the project closer and closer to default. That web, years in the spinning, has businessmen, banks and bureaucrats from Hong Kong to Moscow and London now caught in its threads.

After a closeup of City Manager David Self and a quick cut to the hole in the ground in Oakland at Broadway and 9th Street, dissolve to the Hong Kong offices of the project's developer, 50-year-old Chinese financier Y.T. Chou. There Chou, a tall bull of a man, is plotting his defense in a suit brought against him late last year in a California court by the official liquidator of the Pacific Atlantic Bank, Inc. of Panama, and Moscow Narodny Bank Ltd., the London-based Soviet state overseas bank. No petty suit that. The two plaintiffs are after Chou and several other, mainly Asian, defendants for a cool half-billion dollars. The charge is that Chou and his business associates in the Far East encouraged "multiple breaches of fiduciary duty" by Narodny's managers in Singapore in obtaining fraudulent loans. Fearful of the gigantic suit, Asian investors in the condo project have ceased making progress payments necessary for construction in Oakland. Chou, fearing loss

of face, has advised the city that he'd like someone to purchase his 100% controlling interest in the project.

Now flash back to 1971. Narodny has just opened a Singapore branch and begins to lend freely in the Asian market. Were political motives involved? Many observers thought so. How often do the Soviets do things without a political motive? Was Narodny a financing arm of the KGB? Some local newspapers said there were connections. Further published reports suggested that the Soviets wanted to infiltrate California's technologically vital Silicon Valley. And that's where Chou comes in. According to Narodny, he and his Hong Kong and Singapore associates invested $8 million of the bank's money in at least five small California banks without—Narodny insists—its knowledge. The banks included Peninsula National of Burlingame, Tahoe National of Tahoe, First National of Fresno, Bank of Trade of San Francisco and Camino California of Palo Alto.

The plot thickens. The airing of this Soviet dirty linen comes about from an unlikely source, a former Chinese postal clerk named Amos W. Dawe. In late 1975 Dawe, a Singapore-based entrepreneur of whom little is known, defaulted on bids he had made to acquire three of the banks in question. One of the defaults, to purchase Peninsula National, left Pacific Atlantic Bank of Panama, a bank that subsequently went bankrupt itself, holding the bag on a $2.8 million letter of credit it had issued to secure the deal. Eventually, Narodny, PAB's major creditor, paid that debt.

Soon other business associates in the bank deals became uncomfortable, and one sued Dawe to recover his investment. In 1978 Dawe countered by suing Narodny, claiming that the Soviets had reneged on promises to lend him $100 million to make these and future U.S. bank purchases. Had Dawe been a front man for the Soviet bank in the U.S. before there was a falling out? Narodny said no and responded last year with its gigantic suit that attacked not only Dawe but all his business associates as well, including Y.T. Chou.

The suits offered a tantalizing peek into Narodny's affairs. Court papers revealed that Dawe was no stranger to its Singapore branch. As chairman of the Hong Kong-quoted Mosbert Group, a far-flung Asian holding company, Dawe had been receiving millions in loans from Narodny since the early 1970s. Nothing was thought amiss until the Dawe suit for $100 million prompted Narodny to take a closer look at just where the funds of its Singapore branch had been going. It took until last year for Narodny to decide it didn't like where they were going at all. But by this time both Dawe and his company had been declared bankrupt and Dawe had dropped from sight, claiming the Russians were out to kill him.

Reenter Y.T. Chou. If Dawe had escaped the Soviets' grasp, Chou was not so lucky. Until recently Chou held a controlling interest in the Camino California bank, in which Narodny claims its funds were fraudulently invested. Chou admits to having had business deals with Dawe in Hong Kong and Singapore going back almost ten years. That's why, although Narodny's half-billion-dollar suit was prompted by Dawe's actions, the Soviet bank named Y.T. Chou as the principal defendant. Narodny not only sued Chou but also blocked his San Francisco bank account and had the sheriff padlock a safe-deposit box of undisclosed contents. Says one source close to the affair: "Narodny knew that Chou had assets and that, because he was involved in developing the Hong Kong/U.S.A. cen-

Narodny's London offices
A peek behind the curtain.

ter, they had found one defendant wi pressure point."

How to resolve this complicated nario? Try this. Chou files yet ano suit against Narodny, this one char the bank with making false claims character assassination. The prospec still more disclosure and publicity co hardly be pleasing to the secretive S ets. Narodny's foray into the U.S. c system and the discovery procedu that it requires begin to look more more like a mistake, encouraging bank to cut its losses and slam the w dow shut.

Chou, in fact, filed such a suit in A Now, sources close to Narodny say bank has decided to settle with him of court. A secret deal between th would presumably satisfy the letter credit debt that remains to be cleared in the Pacific Atlantic Bank bankrup but leave unanswered—as contempo films so often do—some key questi Just what was Narodny really up to Singapore and the Silicon Valley—no mention Panama? How bankerly Narodny's lending standards? Were C and Dawe victims or villains? In life a film these days, ambiguity is the fashi

And Oakland? Chou has decided pull out of Hong Kong/U.S.A., leav City Manager David Self to pick up pieces. Self has twice traveled to H Kong in recent months to find new ba ers. So far no new major partner— who could inspire renewed confide on the part of Asian investors— turned up. "We're confident that so thing will work out," says Self.

Closeup: Self chewing a cigar tha visibly becoming shorter and shor Quick cut to the hole in the ground Broadway and 9th Street. Will Alf Hitchcock or somebody like him tak from here? ■

Oakland City Manager David A. Self
A tangled web of lawsuits and a lot of unanswered questions.

e's a new pecking order in place at Sears, uck; no longer does retailing rule the . Indeed, why should it?

Sears takes stock

By Jean A. Briggs

WARD BRENNAN, 46, is built like a otball player and talks like a revivist preacher. Does Sears, Roebuck blems in its retailing business? w president answers with comke: "Sears is not only the biggest, the best." And, "We have the best organization . . . the best selling tion." He talks in the tone of a ever—a man whose mother, fagrandfather were once buyers for ty retailer.

an will need all the enthusiasm muster. Sears' retail operation ney in the first quarter and it t make it into the black in the quarter that ends this month. t-quarter loss, reported at $7 would have been at least $30 and perhaps $57 million had t changed its bookkeeping by out credit losses and some un- l overhead. It was the first quarrchandising loss in recent Sears The retailing losses ate up most profits from insurance and real estate. Per-share earnings were just 19 cents—down nearly 60% from the first quarter of last year.

Brennan now occupies the Sears Tower office directly across the hall from Chairman and CEO Edward Telling, quarters recently vacated by ex-President A. Dean Swift, who retired early. Brennan is sitting in a hot seat. Ask Chairman Telling about retailing and he replies, "Ask Eddie Brennan about that." Telling will spend his remaining four years in office (he's 61) concentrating on turning Sears into a holding company. Running Sears' 861 stores, its 357,000 employees, its $17.5 billion in sales is a job for a younger man. Telling is clearly tired. He won't be sorry to retire, he told FORBES: "I'm looking forward to it."

Adoption of the holding company concept by no means indicates Sears is giving up on retailing; there's no way it could. What it indicates is a realization, belated perhaps, that the company is going to have to look elsewhere if it wants to regain anything like its old glamour. A proud company like this comes to such a conclusion only grudgingly. But facts are facts. Ed Brennan is entitled to his enthusiasm, requires it in fact, but top management needs to be hardheaded.

lising boss Brennan
ngelism work?

"We're a multi-profit-center company," says Telling, clearly displeased with the general conception of Sears as a retailer with some good sidelines. To help you see Sears differently the company recently changed the manner in which it reports its numbers. Instead of showing the affiliates as investments, it now consolidates them into a single balance sheet. Profit and loss is also consolidated now, although quite clear divisional breakdowns are given. Perhaps to make retailing look better, credit and other costs—the company calls them "unallocated costs"—are treated separately. Henceforth, says Telling, Sears will be a parent company with three parts—insurance, real estate, retailing—each with its own operating chief and competing for corporate resources.

The reason is obvious. Allstate's earnings have been growing an average 15% a year for the past six years. For the past two years it has contributed over half of Sears' earnings on less than one-third the revenue volume of its parent. Last year Allstate contributed $461 million, or 57% of the company's profits, and its revenues were $6 billion. Allstate is second only to State Farm in auto insurance. Seraco, put together mostly from parts of Allstate, is a $367-million-a-year realty and financial services company. Seraco's parts have been growing even faster than the insurance companies, about 24% a year for the past five years. Homart, the shopping-center development arm of Sears and now a part of Seraco, is the third-largest shopping-center developer in the country.

By contrast, the retail business has never recovered from the missteps of the early Seventies. Its earnings have been declining since 1973 except for small gains in 1975 and 1976. Last year they were only $281 million, down by one-third from the 1973 level and far less than Allstate's contribution. The overall decline in earnings per share, from $2.86 in 1978, to $2.54 last year, was largely due to a drop in retail profits.

All this is reflected in a new pecking order in the executive suites. As retailing boss, Brennan is only one among equals with the heads of insurance and financial services. The heads of the three companies plus Chief Financial Officer and Vice Chairman Jack Kincannon and Vice President-Corporate Planning Philip Purcell—a McKinsey consultant who came to study the company and stayed—make up a strategic planning committee that will consider alternatives and make recommendations to Telling.

Strategic planning clearly means new directions for Sears and probably more acquisitions like the ones into mortgage insurance and executive transfer ser-

vices. Sears will unquestionably move deeper into financial services. Witness Kincannon's plan to sell investment notes directly to the public, bypassing the banks and commercial paper market, a plan that was postponed but not killed by the soaring interest rates after October 1979.

But while Telling and several of the top Sears people gaze resolutely into the future, Ed Brennan must deal firmly with the present. He must restore morale and direction to a still-powerful merchandising organization that seems to have lost its way. In the early Seventies Sears tried to get its customers to trade up to more expensive merchandise. It woke up to discover it had given much of its mass market away to K mart and others. It then tried to compete with the discounters. The result was a big sales gain in 1977 accompanied by a serious decline in income and profit margins. Telling was named chairman that year and decided on a back-to-basics approach. Sears, he said, would reemphasize value and would aim for mid-America. The strategy looked promising for the two final quarters of 1978 but then the company's decline resumed.

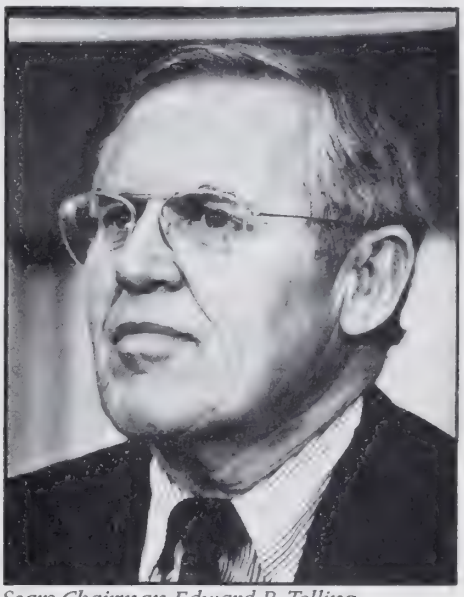
One former Sears executive says: "Back to basics is not where retailing is going; that is, to low-margin and to specialty stores." Another says Sears must do something dramatic such as acquiring a discounting or specialty outfit or both, nurturing them with Sears money. Yet another former Sears man says, "Please tell me who *isn't* aiming for middle America. How does Sears' strategy differ?"

Meanwhile, Sears executives have been leaving in droves. Norman Zarkin, a retail headhunter with E.J. Rhodes recalls a time when he couldn't entice a Sears man to leave. "Then one or two left and did well. Now clients aren't too interested in Sears people because there are so many on the market."

Brennan, thinking positively, sees his job simply as getting the organization to do better what it already does well, in getting buyers to generate better values for customers, for example, and in improving coordination and communication between headquarters and the field, between buyers and sellers.

It is clear from talks with former Sears people that field-headquarters coordination is a problem. Ex-merchandisers complain about Telling's getting rid of an old Sears practice known as overbilling. The stores were billed at a higher rate than the manufacturers actually charged Sears and the difference was recorded in the buyers' accounts. The buyers used the money for a variety of purposes such as developing new products or staging promotions. Telling, who remains unalterably opposed to overbilling, says that it was merely a way for buyers to cover their mistakes. Be that as it may, the buyers loved it. But people who used to be in the field are complaining too. They say headquarters now dictates everything, that the autonomy of field executives no longer exists.

Can Brennan restore the old Sears spirit? It's easy to smile at his missionary zeal, but there is no question about its being contagious. After spending nearly three hours with him recently, a normally skeptical FORBES reporter came away convinced that he would fire up the senior merchandising people who will visit Chicago this August. Agreeing, one former Sears executive says Brennan is nothing short of outstanding, absolutely the best. But another man, who now has a high-level position with a major company, says that Sears must have new marketing strategies and that Brennan is not likely to come up with them. He cites, for example, the development of Sears' own national brands as a brilliant



Sears Chairman Edward R. Telling
Above the fray.

strategy of yesteryear. The company, he says, needs someone who can think up something like that—something that will really challenge the competition.

While Ed Brennan struggles with Sears' accumulated retailing problems, Archie Boe, 59, can bask in the sunshine of his accomplishments at the huge Allstate subsidiary. But isn't the insurance industry, particularly the property/casualty business, headed for the bottom of its cycle? Allstate's chairman and CEO says yes, but that Allstate does most of its business in auto insurance, which won't be hit as hard as commercial, and that he's already pushing for rate increases. "I've been burned once before," he says. He doesn't want the same thing to happen again. Boe is referring to the last cycle trough in 1975, when competitive pressures kept him from raising rates even though costs had skyrocketed. This time around he has already gotten rate increases in about 30 states. Forewarned is forearmed.

Yes, he says, Allstate will lose m in underwriting this year as it did i first quarter, but it will recoup o investment portfolio. This is one where high interest rates helped r than hurt. Boe thinks the worst come in the insurance industry next year and he plans to push ahea try to gain market share in comm property/casualty insurance when competitors are in disarray. "It is g says Boe, "to start businesses in a r sion." He has already recruited som independent agents and brokers a ready to go.

Heading Seraco is Preston Martin able onetime head of the Federal H Loan Bank Board, organizer of the F al Home Loan Mortgage Corp. and f ly founder of PMI, which Allstat nanced. Unlike many in the indu Martin doesn't think shopping-mal velopment has reached the satur point. He sees plenty of opportuniti smaller cities such as Knoxville, T He says Homart will step up its in ment in shopping malls 20% to 40 the coming years but will no longer only where the company wants to Sears store. It will also put more em sis on joint ventures. "That will inc our opportunities," says Martin. " get involved with the local devel who knows the area." The compa also interested in getting into com cial and industrial-park developn Thus is Sears, the world's largest ret consciously broadening its scope.

A number of securities analysts ex outrage at Sears' new consolidated f cial reporting. One said it was obsc tist. "Mere window dressing," sn another. But they may be missin point. The thought cometh befor act: By thinking of itself in broader t than retailing, Sears is already part toward rejuvenation, toward a bette velopment of its vast assets. But a t year or two lie ahead. Stanley Ivers Duff & Phelps, the highly regarded C go financial research house, is bullis the stock, largely because of its u potential. But Iverson has cut his earnings estimate to $2.50 from $ Another analyst, more in the n stream, guesses $2.25.

It's hard to remember that as rec as 1975 Sears was considered on America's great growth companies sold for as high as 30 times earnings recent 17⅜ it actually sold at a disc of 26% from book value. John Ken Galbraith and like-thinking critics c business like to say that our giant c rations are so powerful as to be virt immune from competitive pressure. good professor is as wrong as he is Sears' recent experience shows tha giant corporation is hardly more inv ble than the corner grocery store. ■

How do you handle a million-share buy-back when everyone knows who's buying?

Merrill Lynch says, with kid gloves.

When you're making a big open-market reacquisition, you have to let the public know.

And that means the price is likely to go up a couple of points...unless you really know what you're doing.

One Merrill Lynch client wanted to buy back *a million shares of stock*—200,000 of them within a week. Our job was to keep him from falling victim to a lopsided seller's market.

How did we do it? With a delicate touch. With instinct. With a gut feel for the market, and a fine-tuned sense of timing.

A trader has to *feel* how the stock will move. He has to buy just before it goes up, know when to walk away from the market and when to move in aggressively again.

The Merrill Lynch trader judged his success by his ability

A breed apart.

to beat the mean price of each market day, and 75 percent of the time he did it. He was able to buy back the first 200,000 shares within a half-point price range, and he executed the whole order so successfully that a few months later the company decided to repurchase *another* million shares, with Merrill Lynch as the exclusive broker.

Now, the surprising thing isn't that this company came to Merrill Lynch for the execution of a particularly sensitive block trade. It's that they came to us *even though Merrill Lynch was not their traditional investment banker.* And once they saw what we could do, they sought our services again.

Which just goes to show: in executing block trades, Merrill Lynch is a breed apart.

Next time you have a sensitive trade in mind—one that calls for a delicate hand and a superlative feel for the market—think of Merrill Lynch.

For more information, write to James R. Ridgway, Merrill Lynch White Weld Capital Markets Group, One Liberty Plaza, New York, N.Y. 10080.

Merrill Lynch

Merrill Lynch White Weld Capital Markets Group

© Merrill Lynch Pierce Fenner & Smith Inc. Member SIPC

WHEN TWENTIETH CENTURY-FOX RELEASED STAR WARS, FIRST OF BOSTON GOT RAVE REVIEWS.

The excitement surrounding Star Wars wasn't simply that it was the biggest box office hit in history. The movie was also a smash with investors. And that created a unique challenge for First of Boston's Stock Transfer Department.

Twentieth Century-Fox was already among our most active clients. But now the trading activity was unprecedented – up almost 1000% overnight. That would have strained a transfer agent not prepared for it.

But we were prepared. As one of the largest stock transfer agents in the nation, our system responded to the tremendous load without a hitch. And we were also able to design and issue *two* special dividend payments on short notice.

There are times when great success can present surprising problems. Not for us. We helped Twentieth Century-Fox really shine. That's what we did for them. Now, what can we do for you? To find out, call Dan Fahey, Vice President, at (617) 929-6573.
(Outside area code 617, call 1-800-225-9934, toll free.)

FIRST of BOSTON 1784
THE FIRST NATIONAL BANK OF BOSTON

WE'VE DONE IT. WE CAN DO IT FOR YOU.

Broad lost interest in the company he built it went downhill. Can an outsider with a gh track record get it moving again?

Second chance at Kaufman & Broad

By William Harris

NFORD C. SIGOLOFF built his repu-ation by mass firings and liquida-ions. In popular parlance, he's a t man. But now he has a chance to hat he can build as well as slash at an & Broad, the Los Angeles building and insurance company been brought in to fix. Sigoloff, 49, us for fixing sick southern Cali-companies by ungentle methods. why Chairman Eli Broad (rhymes *ad*), 47, who cofounded K&B back 7 in Detroit, gave him the job of airman and chief operating officer l.

971 Sigoloff took over as CEO at ic Corp., a grab-bag conglomerate d been built on the detritus of an vie company. By 1973 he had d off 40 operating units and pulled npany out of insolvency. The fol-year he went to work for another enterprise, Daylin, Inc., the dis-retailer and health-care products In 18 months he fired half its employees, bailed it out of its an manufacturing and distribu-erations and unloaded 120 unprof-discount drug and auto-parts When Daylin came out of Chap-n 1976, it was quickly snapped up . Grace.

off is the third person to head up ons at K&B in five years. Broad sed his two predecessors because uldn't get the juices flowing again lethargic company. All they suc-in doing was to shrink K&B from the nation's—maybe even the —biggest home builders into a egional operator with a life insur-ubsidiary. Still it's a big company evenues last year of $500 million nty of assets.

et a sense of K&B's condition you have to look past the $1.66-a-he company earned in 1979. That pposedly a "record" showing, but it was mostly done with accounting tricks—extraordinary gains, buying in by the company of its shares, that sort of thing. Actual operating earnings growth last year was a pallid 3%. A good 60% of the pretax net came from K&B's life insurance subsidiary; home-building was only marginally profitable. A typical K&B tract house now goes for $68,000 and nets an average 5%, while competitive builders are taking out 10%.

Sigoloff leaves no doubt about his intentions: "Quite frankly, if K&B is going to make it into the $1 billion-plus class, it's going to make it with a different management style, a different approach to planning and resource allocation."

For 17 years Broad's expansionist approach carried the company into 13 major home-building markets. K&B produced uninterrupted sales and earnings growth and was much loved by securities analysts, who helped get its stock to as high as 55 times earnings in the early Seventies. In 1971 K&B acquired Sun Life Insurance to smooth over cyclical swings. That looked like yet another smart move. But when the big 1974 recession struck the housing industry, the Eli Broad legend was shattered.

That year K&B recorded a staggering $29 million loss, made of unsold tract houses, costly undeveloped land and the kind of sloppy management that comes from thinking you can walk on water. "We thought we could do no wrong and would grow forever," Broad recalls. Broad was so confident, he relinquished active management and was off raising money for charities and education. But he came sprinting back to salvage his company and his 13% stock holding. He managed to wipe out the losses by banning speculative building, leaving unprofitable housing markets and building K&B's insurance arm. But he couldn't restore the glitter. K&B stock sells at a substantial discount from book value.

So, what is Sigoloff's program? He certainly isn't planning to leave housing. "The company has a history and a pride in being an innovative home builder," exclaims the handsome vice chairman. "You'll see a rebirth in this company to be the best, not the biggest." He has relaxed Broad's rule about building only presold houses, he is activating tract developments that were closed down half-finished and he is otherwise sounding as if he wants to stick K&B's neck into some risk-taking.

Noting that the severe drop in interest rates in recent weeks has begun to cause the housing market to stir again, Sigoloff is getting ready for a big push in K&B's basic business. The company has a new marketing campaign based on a "home owner's counseling" program that tells prospects how long K&B has been in the business and how much it knows about home-building. At the same time, K&B is still retrenching from its aggressive expansion of the Sixties and early Seventies by closing out its Chicago operation. That leaves four major markets, two in California and two in Europe.

Housing aside, K&B has long been interested in acquiring a savings and loan, giving it the potential of building homes

K&B Chairman Eli Broad (left) *and Vice Chairman Sanford Sigoloff*
"You'll see a rebirth in this company."

How Westinghouse helped one of the world's largest papermakers increase productivity 50 percent.

At St. Regis Paper Company's plant in Bucksport, Maine, a 50-year-old papermaking machine is now producing 50 percent more saleable paper than it did when new.

Westinghouse motors and controls, integral parts of the original installation, have been upgraded to help the machine run faster and more efficiently. Rebuilding the drives with the latest Westinghouse equipment increased speed from 1,150 to 2,000 feet per minute and output by 100 tons a day.

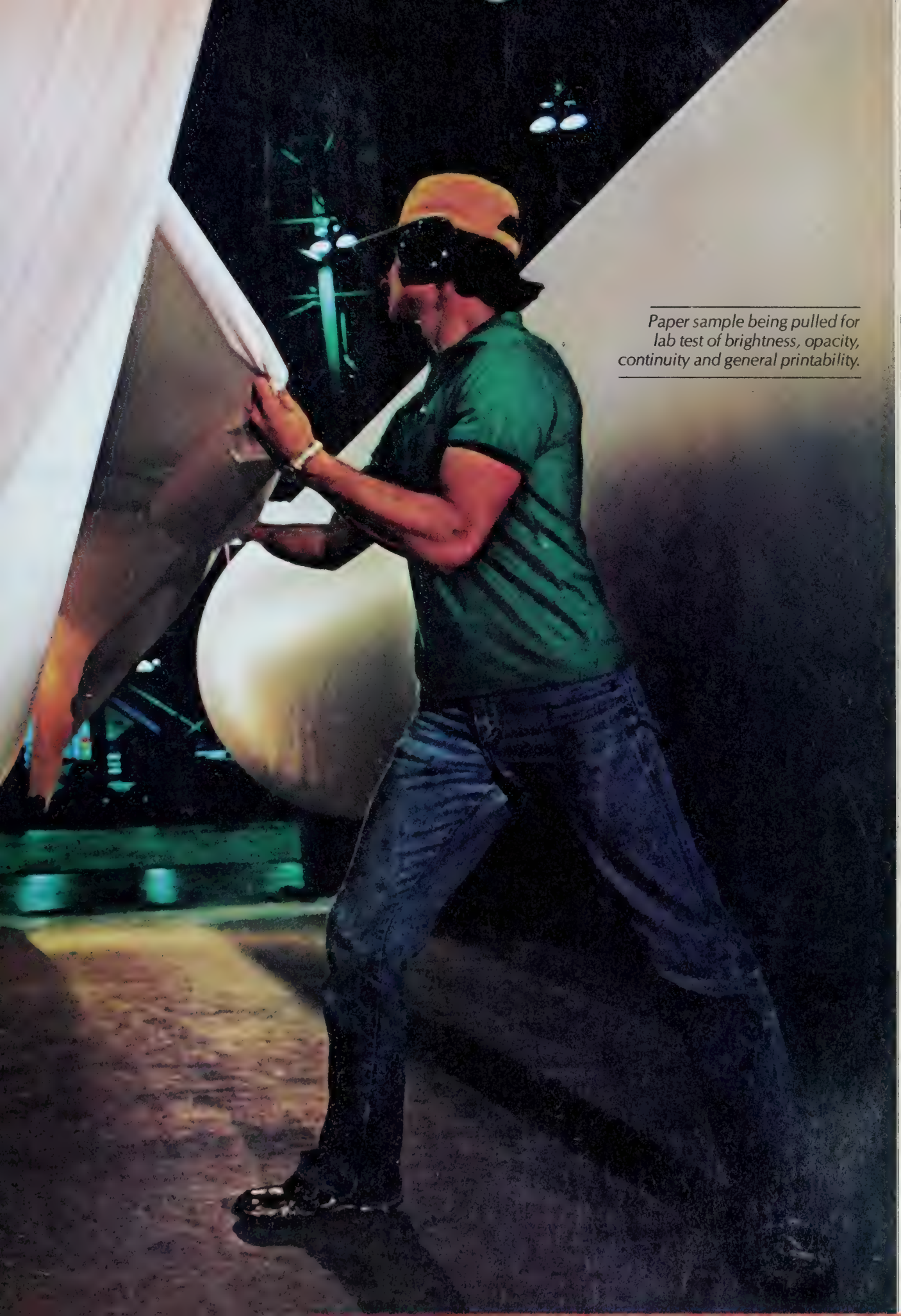
But our contribution to St. Regis Paper's productivity doesn't end there. In a recent expansion program at this same plant, they installed the world's largest, fastest machine for manufacturing lightweight coated paper. St. Regis engineers specified Westinghouse motors and controls.

This new machine increases plant production capacity 65 percent, producing 150,000 tons a year. It runs at 3,000 feet per minute, day and night – year round. Its Westinghouse motors and controls respond instantly to variations in load to help provide the critical uniformity required in this, one of the most precise of process industries.

There are hundreds of thousands of motors and controls at the heart of American industry. Upgrading them can be a good way to increase productivity. Whether you need to upgrade current machinery, or install the latest equipment, Westinghouse can help you do the job.

Westinghouse

A powerful part of your life.



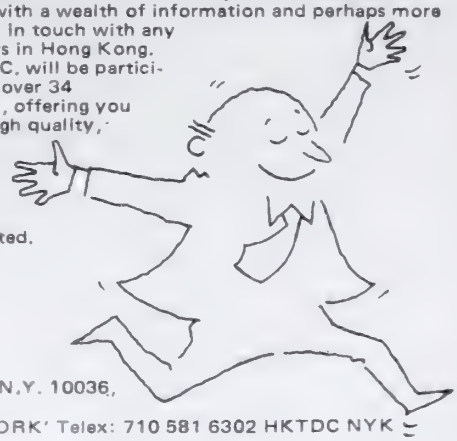
Paper sample being pulled for lab test of brightness, opacity, continuity and general printability.

GRAND AWARD.
THE ONLY 12 YEAR OLD
CANADIAN WHISKY.

©1980 GRAND AWARD–12 Years Old. 90.4 Proof. Imported in the bottle from Canada by Hiram Walker Importers, Inc., Detroit, Mich. Blended Canadian Whisky.

SIX EASY WAYS TO TRADE WITH HONG KONG

There can't be many businessmen anywhere who haven't heard of Hong Kong. And if you've read this far, you are more than a little interested in what Hong Kong can offer you. To most businessmen time means money and a 10,000 mile business trip to Hong Kong is a long way to come without the right business connections. The Hong Kong Trade Development Council is a semi-Government body, with offices in 22 major markets world-wide — six of these are located in North, Central and South America. These offices can provide you with a wealth of information and perhaps more importantly, the H.K.T.D.C. can put you in touch with any one of 22,000 manufacturers of exporters in Hong Kong. During the next 12 months the H.K.T.D.C. will be participating in major trade fairs and mounting over 34 specialized product displays in the region, offering you the opportunity to see a wide range of high quality, competitively priced products. The H.K.T.D.C. offices in New York, Los Angeles, Chicago, Dallas, Toronto and Panama City can be considered as your business contact with Hong Kong. The service is free — the opportunities unlimited.



HONG KONG TRADE
DEVELOPMENT COUNCIL
548 Fifth Avenue, New York, N.Y. 10036,
U.S.A. Tel: 212-582-6610,
Cable: HONGTRADS NEW YORK' Telex: 710 581 6302 HKTDC NYK

Offices in: Chicago, Dallas, Los Angeles, Toronto, Panama

with one hand and supplying the r
gage money with the other. Last m
the company tendered for 24.9% of
cayne Federal of Miami, the fas
growing S&L in the U.S., at $35 a s
If the deal works, K&B could s
24.9% of Biscayne's earnings ($6 mi
last year) on its own earnings re
Success isn't guaranteed for the
which expires July 21; in fact, K&B
the nibbling investment approach
two insurance firms over the past
and a half. Both companies, wo
about a takeover attempt, bought
their shares, giving K&B a pretax p
of over $11 million. And that's real r
ey, not equity earnings.

Sigoloff doesn't have forever to
the building operation around. The
ers are already beginning to lurk. In
the Belzberg brothers, the Canadian
estate promoters (FORBES, *May 14, 1*
who briefly vied with the Hunt brot
over Bache, bought 6.7% of K
shares. A couple of years ago, corpo

***K&B has been interested
acquiring an S&L, giving
the potential to build hon
and supply mortgage money***

raider Victor Posner bought 5.3%
Broad quickly bought him out for $
share, reportedly 40% above
Posner had paid.

Another housing boom, the one
industry is projecting for next sp
may push K&B's revenues, margins
recent $9 stock price to the point w
Eli Broad can once again reduce his
and devote himself to his own art col
ing—including works by Mark Ro
and Frank Stella—and fundraising fo
proposed Los Angeles modern art m
um, of which he is board chairm
While Broad collects canvases, Sig
collects machines, like Porsches
19th-century French clocks. Says S
loff: "I enjoy 19th-century clocks
cause I admire what craftsmen ca
under adverse circumstances."

Like a fine clock, a business, Sig
feels, is a coordinated whole made up
large number of small parts. "One m
money in home-building," he expo
lates, "by paying attention to detail
and every detail counts, like land m
agement, building materials and ene
saving technologies. He is busily lool
for cost-cutting ideas used abroad, e
cially in Japan. If Sigoloff can't get K
man & Broad ticking properly again,
only a matter of time before some
comes along and disassembles it fo
valuable parts—cash, land and insura
subsidiary. In that sense the st
holders probably can't lose. But Sig
can: He's the kind of man who doe
like to fail. ■

new synthetic fuels corporation will be a anza for industry, but some big gainers not be oil—or even energy—companies.

Picking the synfuels winners

By Carol E. Curtis

E STOCK OF STAID OLD Stone & Vebster Inc. is kicking up its heels s if the company had hit an oil The engineering firm is trading ighest level in two years—despite that its big customers, the utili- in a deep slump.

t, Stone & Webster has struck an bonanza. That is the $20 billion ic-fuels corporation President signed into law on June 30. For t time, the President and Con- ave agreed on a real program to nthetic fuels from coal past the stage.

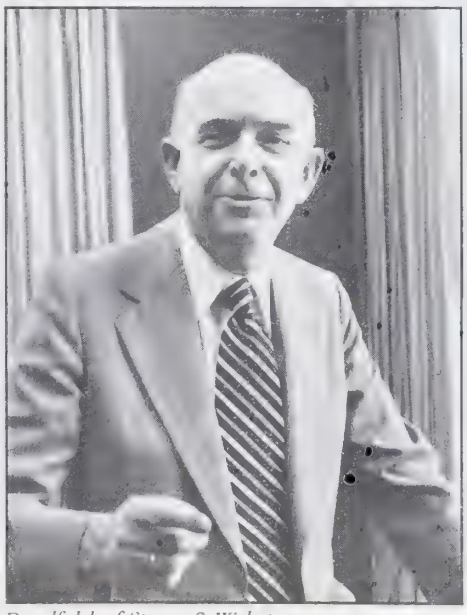
it will be years before commer- nts begin to spew out oil and gas al, the corporation is an opportu- more than just the coal and oil ies. Firms that will do the archi- engineering work on synthetic- ants could be bigger gainers than panies as synfuels roll into the ction stage.

is an important distinction be- the role companies like Stone & will play in the projects and the the project sponsors and their partners. The sponsor of a plant seller of its product share the risk as the reward. They could sustain osses in the event a process does rk—or is delayed and exceeds l costs.

ce companies have no such prob- It is all reward and very little ays an analyst who follows the ring industry. "You cannot build without them. People are excited hese engineering companies in a y."

& Webster is identified as the ct/engineer on no fewer than 9 of fuels projects now at the feasibil- ly stage. Fluor, a competitor, is d in 12 of the projects. Combus- gineering, which has been hurt by mp in nuclear-plant construction, signed on as the engineer for the American Natural Resources plant. That project is likely to be the first to operate commercially. CE is also involved in 8 other projects. Other engineering firms revving up for synfuels activity include Bechtel, Foster Wheeler and Ralph M. Parsons.

All of the projects Stone & Webster is involved in are awaiting Department of Energy funding. Says Bruno Brodfeld, vice president and engineering manager at Stone & Webster Engineering Corp., "Our company stands to gain big." The DOE is about to announce how it will carve up the first installment of the money slated for feasibility studies.



Brodfeld of Stone & Webster
Making out better than the client?

If the government dollars are big, it is because the goal is ambitious. The new law sets a target of 500,000 barrels (oil equivalent) of synthetic fuels daily by 1987, and 2 million barrels by 1992. For the goal to be met, at least 20 commercial plants producing coal-derived synfuels will have to be off the drawing board and in construction over the next five years.

In order to help reach the target, a smorgasbord of financial incentives is being spread before private industry. Over the next three months, the DOE is making commitments for $2.2 billion of the total. Some $200 million is earmarked for feasibility studies and cooperative agreements; $1.5 billion will be set aside for price guarantees and purchase commitments; and $500 million will be put into a reserve for $1.5 billion in loan guarantees.

In fiscal 1981 the groaning board will grow by at least $3 billion. The remaining $15 billion or so, which includes $1 billion set aside for conservation efforts and solar development, will be doled out by the end of 1984. "We are accelerating what the free market would do on its own," says a spokesman for the DOE.

After years of dragging its heels, private industry is also beginning to move—even without government help. "We are not looking for that type of help," says George Smith, a development engineer with Conoco Coal Development Co. Conoco, the nation's ninth-largest oil company, has one of the most ambitious synfuels programs.

Ditto, giant Exxon. "The price [of oil] has now got to the point where synthetics are practical," says Senior Vice President Jack Bennett. "The economic incentives are there." Exxon's most ambitious project is a $4 billion coal gasification plant in east Texas using lignite as a feedstock. The company plans to finance the entire plant itself.

For most companies, however, the prospect of financing a plant that size is possible only as a joint venture involving other companies and the government. So many of the most promising projects are complex arrangements involving as many as nine partners. It is primarily these groups that the new synthetic fuels corporation will underwrite.

The showpiece consortium so far, and the one nearest to actual groundbreaking, is headed by American Natural Resources, a Detroit-based energy company. ANR has been working on its coal gasification plant since 1973, but has been delayed by congressional waffling over synfuels funding. Even as a consortium, the group was unable to arrange financing for the $1.5 billion plant. So it asked the Federal Energy Regulatory Commission to provide guarantees but not with government money; if the plant fails, gas customers will get a surcharge to cover the debt.

The controversial arrangement has produced a lawsuit from gas consumers, including huge gas-user General Motors. Even so, ANR officials believe they will have the plant finished by 1984.

Next in the running may be the consortium headed by Ashland Oil, with a

When Goodyear
you come

Ahead in helping to mine coal

This giant front-loader was a challenge even to Goodyear, the American leader in earthmover tires. It can gobble up 36 tons in one scoop. To carry the load, we built the world's most massive tires. They're over 11 feet tall, 5½ feet wide, and they weigh 12,500 pounds. Price: $60,000 per tire. But with coal production rising, they're selling well.

Ahead in service

Goodyear has over 1,350 service stores across the country that offer full-line professional car service—from alignments to tuneups, from wheel balancing t mufflers. And Goodyear was the first company to back this service with a nationwide limited warranty good for at least 90 days or 3,000 miles. If warranty work is ever required, and you're more than 50 mile from the store that did the work, go to any Goodyea Service Store nationwide, and they'll fix it free.

Arriva.® —The Goodyear Tire & Rubber Company

noves out front, out ahead

Ahead with lighter brakes

ht is the enemy of flight, so aircraft designers go ot of trouble to save ounces. The Goodyear n brakes on the F-16 save more than 50 pounds conventional steel-disk brakes. Goodyear also ies the F-16's tires, wheels, anti-skid controls he "brake-by-wire" system, which transmits ls electronically from brake pedals to brake ol valves, eliminating hydro-mechanical ges. This system is the first of its kind on any production aircraft.

Ahead in easy rolling

After extensive developmental testing—on dynamometer, road and test track—the Goodyear Arriva is now on the market. It's engineered for the fuel-economy needs of the 1980's. With a special easy-rolling tread rubber. And a high-pressure shape that you can inflate to 35 psi—which cuts rolling resistance still more. It also has an aggressive tread design for all-season capability. The Arriva is the latest reason why more people ride on Goodyear tires than on any other kind.

GOODYEAR

Out front. Pulling away.

$2.2 billion plant that will produce a slate of products similar to those leaving an oil refinery. The technology, a proprietary process developed by Dynalectron Corp., is known as "H-coal." Ashland is still assessing the financial and technical risks of the project, but an executive says: "The new federal corporation is a major step."

However, not everybody is raising a glass to the new federal program.

Mobil, for example, has been working since 1974 on a unique process for converting coal to methanol to gasoline. But the company has chosen New Zealand, and not the U.S., as the site for its first commercial plant. "New Zealand has made a national decision it wants to do this," says Joe E. Penick, president of Mobil Research & Development Corp. In the U.S., he says, "we still don't have a dedicated, step-by-step approach."

Mobil and other developers are worried about some environmental question marks. Problems with water availability and pollution could hold back the huge plants the same way construction of nuclear power plants is bogged down. Part of the regulatory thicket may be cleared by the proposed Energy Mobilization Board, specifically designed to cut through red tape. But companies such as Exxon are still apprehensive that their large investments could be made uneconomic by the regulatory changes.

Another persistent uncertainty price. While some synthetic fuels p ects may be economic at today's oil p of $32 a barrel, what happens in event that oil prices drop?

So, there are problems, but it se incredible that the U.S., rich in coal shale, would blow this opportunity break the shackles that OPEC has posed both upon our economy and u our foreign policy. "Once we have million-to-3-million-barrel-a-day ca ity we can put a cap on world oil pric says a DOE official. "We've been gi the signal," says Conoco's Smith. "I go get 'em." ■

Ten entries in the synfuels sweepstakes

How far and how fast a company will get in the synfuels business now getting started in earnest will depend on the technical expertise, financial strength and management skill it can bring to bear. Below, FORBES summarizes companies and projects that appear to be in strong positions relative to others as the race begins. These are huge undertakings with high risk at every step.

Lead company	Other consortium members	Process	Primary product(s)	Demonstration plant completion date and cost	Commercial plant completion date and cost	Estimat price p oil barr equivale
American Natural Resources	People's Energy Corp., Tenneco, Transco, Columbia Gas System	Coal gasification (Lurgi)	Pipeline quality gas	none planned	1984 $1.5 billion	$40
Ashland Oil	Electric Power Research Institute, Standard Oil of Indiana, Mobil, Conoco, State of Kentucky	Coal gasification (H-coal)	Propane, butane, gasoline components, distillate fuel oil	none planned	1987 $2.2 billion	39
Conoco	Consolidated Natural Gas, Electric Power Research Institute, Gulf Science & Technology, Sun Gas, Tenneco, Transcontinental Gas Pipeline, Natural Gas Pipeline, Texas Eastern Transmission	Coal gasification (Lurgi)	Pipeline quality gas	1985 $927 million	1988 cost undisclosed	38
Exxon	none	Coal gasification (Lurgi)	Medium Btu gas	none planned	1987 $4 billion	no discl
WR Grace	none	Texaco gasifier plus Mobil methanol-to-gasoline process	Gasoline	none planned	1986 $3 billion	not avail
Gulf	none	Solvent refined coal (SRC)	Liquid and gas fuels	1984 $1.4 billion	none yet planned	35
Mobil	none	Methanol-to-gasoline (MTG)	Gasoline	1985, cost undisclosed	1990 $3 to $4 billion	50
Mountain Fuel Resources	Conoco, Pacific Gas & Electric, Southern California Edison	Coal gasification (Lurgi)	Pipeline quality gas	1985 $250 million	1987 $2 billion	33
Royal Dutch/ Shell	Koppers	Coal gasification	Pipeline quality gas	1985 $150 million	none yet planned	28
Texaco	Houston Natural Gas	Texaco coal gasification process	Medium Btu gas	1983 $300 million	1987 $1 billion	no avail.

low to cut travel costs without cutting travel.

In a time when cutting travel could st you more than it saves, Beech has some ll designed alternatives.

Business airplanes.

Granted, an airplane is a major invest-ent. But we've put together some answers t can show you how a Beechcraft mpany plane can cost you less than you're ending now on air travel.

And let you travel more in the bargain.

Utopia? Not exactly. More like simple iciency. Flying on your own schedule can ve you hours at the least, days at best. d two, or more, can fly as cheaply as one.

It takes a certain aggressiveness to en consider your first company plane. But, ou weren't looking for answers, you uldn't be reading this. And a Beechcraft company plane might just answer more questions than you're asking.

Send for your free Management Guide to Business Aviation in the '80's and put the business back in business travel.

Write us on your company letterhead, and we'll send you everything you need to decide whether your company can profitably use a Beechcraft. And which Beechcraft suits you best. Write to: Beech Aircraft Corporation, Dept. K6, Wichita, Kansas 67201, and please mention if you're a pilot. If you'd rather call, call collect and ask for Dick Schowalter, Jr. (316) 681-7072.

Member of General Aviation Manufacturers Association

The Beechcraft jetprop King Air F90. An 8-10 seat executive aircraft that can take busy people where they're going at over 300 mph. Pressurized for maximum comfort.

Now Raytheon electronics help the captain and the cook, to

Sunset... and the end of another perfect day on the water. Now it's back to the marina, with a helping hand from Raytheon electronics on the bridge and, surprisingly, in the galley, too.

For nearly 25 years boat owners have been using Raytheon radars, depth sounders, and radiotelephones for safe navigation and dependable communications. More recently, another electronic product has been finding its way aboard many boats. It's the Radarange® microwave oven from Amana, a Raytheon company.

Now many seagoing chefs enjoy the same speed and efficiency of electronic cooking that they—and millions of others—have come to rel on in their kitchens on shore.

We do, indeed, live in an electronic world And Raytheon is strongly positioned to meet th growing need for electronic products.

Data processing and word processing syste from Raytheon, for example, are bringing the electronic office of the future that much closer to reality.

Raytheon microwave heating systems speed k food processing. Lasers cut and weld preci- n parts. X-ray systems and nuclear cameras aid dical diagnosis. And Raytheon tubes, semi- ductors, and other electronic components are d in products ranging from heart pacemakers pace satellites.

Ours is a future that will depend heavily on ctronic technology. That's why a significant re of the business at Raytheon continues to be ctronics.

Raytheon . . . a $4.3 billion company in electronics, aviation, appliances, energy, construction, and publishing. For copies of our latest financial reports, please write Raytheon Company, Public Relations, 141 Spring Street, Lexington, Massachusetts 02173.

RAYTHEON

Use this card. It's the easiest way to use me.

If you're on the move in business, use me, your public phone, as your branch office. And I'm even easier to use, with a Bell Credit Card. It's as fast to use as giving the operator your card number. You get a monthly record of your calls, too.

Airports, hotels, motels. Wherever your business takes you, use your Bell Credit Card.

To apply for it, just call your Bell Business Office.

The Bell Credit Card is the key to your branch office.

I'm your branch office.

Bell System

& Western has occasionally done all playing the market. Does that make Gen-Tire, its latest enthusiasm, a good buy?

What's Charlie up to?

The Streetwalker

ARLES BLUHDORN, the volatile, emanding chairman of Gulf & Vestern Industries, can't abide n. Often as not, that means put-o work in the stock market. In e succession so far this year, n has picked up 7.5% of Burling-stries, 7.2% of Cummins Engine under 10% of General Tire. Gen-e has got deep troubles. Burling-Cummins are not exactly the names to make the hearts of t" investors race faster, either, 's all part of the Bluhdorn strate-W tends to invest in depressed here it sees better values com-ys Harry M. Allen, an assistant sident of Merrill Lynch. "They multiples and they like to get heap." Charlie Bluhdorn, meet ham.

orn, of course, makes mistakes, everybody else. G&W reported a oss of $2.8 million last year on a valued at $131 million, and a $3.9 million the year before on ents of $91 million. So far this &W seems to have dropped a amount of money on a quick and out of 1.6 million shares of l, another troubled name that on on turned out to be another mis-n the other hand, thus far this hdorn has picked up a $4 million n a $17 million investment in -Williams as well as $2 million million position in West Point-l.

orn tends to stick with business-knows. G&W's base in textiles o parts, for example, probably explain the $36.2 million invest-Burlington Industries, and the illion investment in Cummins Burlington's operating profits 3.6% in the quarter ended in out Cummins has been hurting. y-duty diesel truck engine mar-savaged by a falloff in demand. mpanies dominate their fields,

Investor Bluhdorn
Charlie's willing to wait.

though, and are selling at deep discounts below book. It looks as though the opportunistic Bluhdorn has bought into them in the hope that the next turn in the business cycle will enable him to get out at a profit. "G&W is willing to wait. It has staying power," says Merrill Lynch's Harry Allen.

Even G&W's patience, however, may be sorely tried by General Tire. It's going to take more than just a turn in the weather to breathe growth into General's basic tire business, ease the regulatory pressures that may well deprive it of its prosperous broadcast arm and straighten out the management problems plaguing its Aerojet division.

The winds are blowing against General from almost every point of the compass. The company, by some Wall Street estimates, will be lucky to earn 50 cents a share this year, compared with $3.44 last year. Analysts like Saul Ludwig of Roulston & Co. and Richard Haydon of Goldman, Sachs are worried about a possible cut in the $1.50-a-share dividend that is bringing Bluhdorn a return of better than 10% on his money.

But "buy on bad news" is clearly the Bluhdorn strategy. There he is, announcing that G&W may go for as much as 15% of General. Bluhdorn is talking about a sizable commitment—almost $30 million so far, with maybe a lot more to come.

Even the folks at General hold little hope for much improvement this year or the early part of next. "We're not very good prognosticators," says Joseph M. Leyden, assistant to the president of General, "but the analysts are saying the automakers can't expect much of a turn before the spring of 1981."

That's part of the rub. General, the nation's fifth-largest tire producer, is irrevocably tethered to the fortunes of Detroit. Although it's now one of the most diversified companies in the industry—cable television, soft-drink bottling, engineering, construction, oil-country pumps and valves—tires contributed almost half of last year's total sales of $2.3 billion and about 45% of net. General, like every other big domestic producer, has been hit by a double whammy. Demand for original equipment tires is way off because of the drop in new-car sales. Replacement tire sales are bumping along at the lowest levels in a decade because people are driving less.

In previous recessions, RKO's broadcasting profits and Aerojet's engineering business helped to offset the cyclical stress in the tire business.

Not this time around, however. Aerojet's operations are suffering badly. RKO is having a flat earnings year endlessly complicated by a Federal Communications Commission decision, now being appealed, that the subsidiary should be stripped of its right to operate TV stations in New York, Boston and Los Angeles *(see* FORBES, *Mar. 3)*.

So what makes Charlie Bluhdorn run? At its current price of around 16, the market is valuing General at $380 million—about half the value of the tire business alone carried on the books. Thus, all the rest of General—more than $1.1 billion in assets—comes free. Many of General's bits and pieces would fit nicely into various interstices of G&W. Bluhdorn insists that he's not gunning for a takeover; he is buying only for "investment." He is playing that investment shrewdly. A lot of G&W stock in General was bought at 12 and 13. Its average price is 14¾ but the market, naturally, has been moving up on Bluhdorn's buying. Thus, when he got a chance to sell a 242,500-share block of General Tire at 17 last month, the G&W chairman decided to take some profits. He has told the SEC, though, that G&W still intends to buy up "in excess" of 15% of General from its present base of 8.79% of the shares outstanding.

One easy inference from the quick profit Bluhdorn skimmed off on his way to the 15% mark is that he expects General Tire to get lower before it gets higher. Or maybe he's just trying to keep everybody guessing.—*Richard Phalon*

With the Tories in power, British enterprise is stirring again. Would you believe that the country's smaller oil companies are thriving?

Oilmen in bowler hats

By Barbara Ellis

BIDS MUST BE IN by the end of July for drilling rights in 90 blocks—some 12,000-odd square miles—of Britain's offshore oil acreage. It's the biggest offering in nine years, in a sector currently yielding 1.6 million barrels of oil per day. Britain has its own way of dealing out exploration acreage. No unseemly auctions yet. Department of Energy officials assess bidders' technical ability, financial standing and contribution to the British economy. Then they hand out the 60,000-to-80,000-acre tracts of ocean, at their own discretion. The way it has worked out—until now, that is—is that the biggest, most solidly established companies have always got the best blocks. That meant U.S. companies did well.

This (seventh) time around, there is a big change. U.K. energy officials have been hinting strongly in private, and more delicately in public, that the way to be sure of the license you want is to cut British companies, and not just giant BP or BNOC, the state-controlled British National Oil Corp., in on your consortium, for something like a 50% stake.

"U.S. companies are obviously taking this seriously," says analyst Sue Graham of brokers Scott, Goff, Hancock, noting the spate of major to minor links. There are more than 10,000 independents in the U.S. and Canada, against less than 30 gathered in the Association of British Independent Oil Exploration Cos. (Brindex). There's no typical profile. Some companies started in the Seventies as financial vehicles; others are old-line British colonial producers. Combined, Brindex members have less than ha million of the U.K.'s total 17 million offshore acres currently under licer Their share of proven recoverable serves: 3% of oil and just 1% of gas.

Why this record of underachieveme Socialism was part of the problem. Wl the Labour government was in pow smaller companies were sidelined by push to build up the government's o British National Oil Corp. A more ba reason is a lack of small-scale opportu ty. Offshore drilling is a game too big small fry.

Consider the effect on drilling activi LASMO Exploration Director Rob Fox notes that in 17 years close to 2,(wells have been drilled in the North S compared with around 2.5 million in U.S.' 100 years of oil exploration.

With their free-enterprise, procom tition stance, the Tories are changing this with their insistence that the boys cut some of the smaller boys in c good thing. Britain's independents clearly delighted with their new soug after status. BNOC and Gulf have wo independent Carless Exploration av from Zapata, its partner in ear rounds. London & Scottish Marine Oi likely to team up with Santa Fe Houston Oil & Mineral, with LASMC operator. Premier Consolidated, with unblemished record of dry holes in North Sea," as managing director Rol Shaw put it, turned down numerous off to go with Esso (Exxon) for acreage in English Channel and the Western proaches. That consortium will also clude S. Pearson, buyers of Manate Florida company, and former owner Amerada. Other independents cl

Meanwhile, back on land . . .

Oil in the ground in Britain? Yes, but not much of it. Onshore oil was flowing in Britain as long ago as 1780, but it wasn't until World War I (1918) that genuine exploration began. World War II, Suez, the Six-Day War all boosted production to around 2,500 barrels a day—a tiny fraction of the country's 1.65-million-barrel-a-day consumption. Discoveries since 1973 have stepped up production to around 6,000 barrels a day—4,000 of that from the British Gas/BP find at Wytch Farm in Dorset, where total recoverable reserves may be as high as 84 million barrels.

Oilwell in the English countryside

This year's star find: a strike by Carless Exploration at Humbly Grove situated 50 miles southwest of London, deep in stockbroker commuter country, with reserves as yet unestimated.

OPEC's incessant price rises notwithstanding, the pace of exploration activity remains slow by U.S. standards. One reason for this is the cumbersome licensing procedure, which in the U.K. is run separately from offshore grants. Oil and gas rights are state property, not private as they are in the U.S., so they can not be freely traded. And landowners have no incentive to promote drilling, as they are not allowed a royalty share.

Cost, of course, is what is making onshore so attractive right now: A well costs around $705,000, compared with more than $15 million offshore. Analyst John Gilmour of brokers W. N. Middleton & Co., a specialist in onshore oil activity, reckons that in Britain a very small discovery—of, say, just 1 million barrels of recoverable oil—producing as little as 270 barrels of oil per day can now be profitably worked.—*B.E.*

ve been swamped with calls from npanies, but are coy about reveal- r plans.

urprise, then, that oil fever has struck the City, with British in- plunging into oil as never before. he *Financial Times* index was hit- ow for the year early in June, the idents were making new highs. have doubled in the last year.) has multiplied its 1979 price by an five.

London Stock Exchange has some of them. It has worked out a granting some exploration com- a "limited quotation," a status ows them to be traded without g the earnings records and assets for a full quote.

pretty easy to raise money right the City of London for oil deals," land Shaw, a jovial 54-year-old an. His Premier Consolidated ers have pulled in a total of $94 in new capital from investors e last six months. "You get all wild deals because, relatively, the haven't had much experience in business," says Shaw. "They'll anything. And they're great punt- nblers] in this country." Promot- natching as much as 20% or 30% y as promotional rights in some ome drilling funds have so much d load that the investor will be lucky to see 30 cents of each dollar he puts up go into the ground. One deal promised a share of 17 million proven barrels of oil in Scotland. "There isn't one proven barrel of oil in Scotland," says Shaw.

All fevers need to feed on success stories. One such in London's oil excitement is the example of LASMO. Started in 1971 as a financial vehicle by Canada's Ranger Oil and London stockbrokers Cazenove & Co., LASMO today is among the five biggest British oil companies, capitalized at $1.4 billion. Pretax profits for 1979 topped $50 million on revenues of $134 million. For their original $2.43 investment, stockholders now own a share priced at $18.42. The consortium LASMO joined, with Chevron as operator, discovered Ninian field, 94 miles east of Shetland, in 1974. Happily for LASMO, Ninian field's startup coincided with Iran's collapse into chaos.

"You get all sorts of wild deals because, relatively, the British haven't had much experience in the oil business. They'll believe anything. And they're great punters here," says Premier Consolidated's Roland Shaw. One deal promised a share of 17 million proven barrels of oil in Scotland. "There isn't one proven barrel of oil in Scotland," says Shaw.

The British outfits that are hitting it rich are losing no time in covering their bets. Most independents have already been socking as much as they can into the U.S. Half of Premier's interests are now in the U.S. Several British independents were driven to the U.S. originally by the Labour government's interventionist policies aimed at building up the state-owned BNOC. Since their election victory in May 1979, the Tories have been dismantling BNOC's special privileges, but the independents are taking no chances. Tricentrol is poised to place 6 million of its shares in the U.S. as an opener to acquiring U.S. production and exploration—companies or licenses. LASMO already wholly owns Tulsa, Okla.-based Bates Oil, with about 1,500-barrels-a-day production. Carless Exploration, which tried out in a drilling fund 2½ years ago, now has a 50% partnership with Warrior Drilling of Tuscaloosa and other deals spread from Montana to Louisiana.

As the heavy hand of socialism is gradually lifted from the long-stagnating economy, British enterprise is striving vigorously—but keeping an eye on the exit. ■

All of these securities having been sold, this advertisement appears as a matter of record only.

$94,100,000

HOOKER ENERGY-FROM-WASTE PROJECT

Leveraged lease financing of a solid waste disposal facility with funds provided by $55,800,000 of Industrial Development Revenue Bonds and $38,300,000 of Owner Certificates. Sublease rentals guaranteed by

OXY OCCIDENTAL PETROLEUM CORPORATION

The undersigned formed and managed a syndicate of underwriters to purchase and offer the Industrial Revenue Bonds and arranged direct placement of the Owner Certificates, assisted in the negotiations and served as financial advisor to Occidental Petroleum Corporation.

BLYTH EASTMAN PAINE WEBBER
INCORPORATED

June, 1980

Want to see a small car even a 6'2" driver could love?

Borg-Warner's Morse Chain Division has developed a transmission drive chain that is a key component in helping make today's front-wheel drive cars roomier, lighter and quieter. That's Borg-Warner today. And there's more to come. In eight major markets, Borg-Warner is a company to watch.

BORG WARNER

Watch Borg-Warner

For an annual report write: Borg-Warner, Dept. 50, 200 South Michigan Avenue, Chicago, Illinois 60604

be geopolitics of the 1980s, the U.S. Navy must be more than a y; it must provide floating military bases. Either the taxpayer will gh up a lot more money or the admirals won't be able to deliver.

The age of aircraft carrier diplomacy

By Ann Hughey

' cases a show of naval strength taking armed action may achieve ends merely by exerting pressure its latent power or by threatening to tary action.

—from *The Sea Power of the State*, S.G. Gorshkov, Soviet fleet admiral

ying to meet a three-ocean require- with a one-and-a-half-ocean Navy.

—Admiral Thomas B. Hayward, chief of naval operations

USTY OLD ADMIRAL MOORER gets ght to the point: "You can tell hese people in the Middle East or hat there are eight or ten men n a silo in Montana. They don't amn about that. They can't see g. They don't know where Mon- But if you say, 'Look at that big there,' it has an impact."

former chairman of the Joint of Staff is making an important Iark it well. A little over a year rategically important Marxist emen at the bottom of the Arabi- sula struck at its neighbor North The U.S. nuclear deterrent was rrent at all. But when the U.S. the aircraft carrier Constellation task force and moved arms to Yemen, the Soviet surrogates got t. They backed off.

rmy sits in Europe, a trip wire to a Soviet attack. Air Force bomb- rockets are primed for nuclear ile the nuclear standoff between superpowers probably rules out a oviet seizure of the Middle East, nothing to protect the oil supply ch our economic existence de- rom internal disruption or from ionally armed Soviet proxies ak Spanish or Arabic.

can the Navy do that the Army Force can't? If in shape, the Navy ver a powerful nonnuclear punch anywhere in the world without

counting on the land bases that are so undependable in these days of strident nationalism. Without a strong Navy, U.S. military power is almost useless in large areas of the globe.

What is involved here is nothing less than a far-reaching change in the way conventional force is projected. The Navy's famous theorist, Captain Alfred Thayer Mahan, espoused a "command of the sea" strategy that has dominated naval thinking since the late 19th century. Admirals weaned on Mahan will always see the destruction of the Soviet fleet as the major mission, and in some future war that well might be. But today, with the most critical areas of the world so far from U.S.-based air and ground power, the mission of protecting American interests in the oil-rich lands of the Persian Gulf has fallen to the fleet. The equivalent not of the battles of Jutland and Midway but of something new—the use in peacetime of naval power as a substitute for land bases.

In the Iranian crisis, therefore, in protecting Saudi Arabia, it's the U.S. Navy—its ships and planes, together with the Marines—center stage.

The relative waning of U.S. naval power, then, is one of the major difficulties facing the nation today. As an issue it may be muted in the coming presidential campaign; Carter is terribly vulnerable on the topic, and Reagan is anxious to avoid sounding trigger-happy. But the issue will be there, if relatively unspoken, and many voters are likely to assess the candidates on its basis in these times of international turmoil.

Today's Navy has 13 carriers, but so complex is the machinery, so grueling the pressure on the crews while at sea, that normal naval practice is to keep only 30% of the carriers on station at any one time; this means keeping nine at home for every four on station. Two in the Pacific and two in the Mediterranean was the pre-Iran pattern. The remaining nine, typically, are undergoing refitting and readying for deployment. But the demand for force in the Persian Gulf has changed this. "Right now we have an average of 4¾ carriers deployed, and that's a little more than the system will bear. When you do that on a prolonged basis, you grind yourself down to a halt," says Vice Admiral Staser M. Holcomb, director of Navy program planning. "Something's got to give here in the course of the next year. We cannot keep two carriers deployed in the Indian Ocean, one in the Mediterranean and one in the western Pacific with an extra one in one of those places most of the time, the way we've been doing. We can't keep it up indefinitely."

Reversing Teddy Roosevelt, then, Jimmy Carter is speaking loudly and carrying a very short stick. Says Helmut Sonnenfeldt, Brookings Institution guest scholar and former State Department adviser under Henry Kissinger: "Everybody who follows these matters knows that the U.S. Navy is very short of ships, and they are also conscious of the fact that

the ships have maintenance problems and crew problems." The U.S.' allies understand the situation perhaps better than most Americans do. It explains their current sidling up to the Soviets, their bland acceptance of the mullahs that rule in Tehran.

"In a deadly serious confrontation with the Soviet Union outside Western Europe, we may be forced to blink first. That would have extremely serious consequences to our economic and political position worldwide without even a shot being fired," says Professor F.J. Bing West of the U.S. Naval War College in Newport, R.I. A Cuban missile crisis in reverse. Only this time—with nuclear parity and a stronger navy—the Soviets would be less likely to blink. Realizing that the lack of effective naval power added to their vulnerability, the Soviets set about redressing the balance. By contrast, the Americans, smug in their success, forgot what naval power backed by nuclear superiority had won for them in Cuba and allowed their Navy to go downhill. "We very quickly marshaled a naval force. The Soviets backed away, and we forgot that they weren't going to stop trying," says Vice Admiral Holcomb.

Where is the U.S. Navy slipping? And how can the trend be reversed

• Manpower: The Navy is short 20,000 experienced petty officers trained technicians who keep th creasingly sophisticated equip working. Gone are the days of swe bodies crammed into gun mounts, s ing down Japanese Zeroes. Today control party must cope with co computer systems. "You can't put Lump Lump in there," says one man. "We're going out of business don't solve that [manpower] prob says Vice Admiral Holcomb.

How do you stretch a "one-and-a-half-ocean navy"?

The doomsday nuclear punch of its missile-launching submarines aside, the U.S. Navy exists to protect U.S. territory and to assert U.S. power at any point around the globe. That power is embodied chiefly in the Navy's aircraft carriers and air wings. The map below shows how that power was deployed one day recently. Nothing much was happening on May 28,1980 except riots in South Korea, Soviet troops in Afghanistan and the usual tension on Israel's borders. Oh, yes, it was also Day 207 of the hostage ordeal in Iran. Only 5 of the 13 carriers were on station. Why so many in

Following the fleet

Coral Sea
Headed for Alameda, Calif., home port, the battle group was being held up in the Pacific as strife struck Korea.

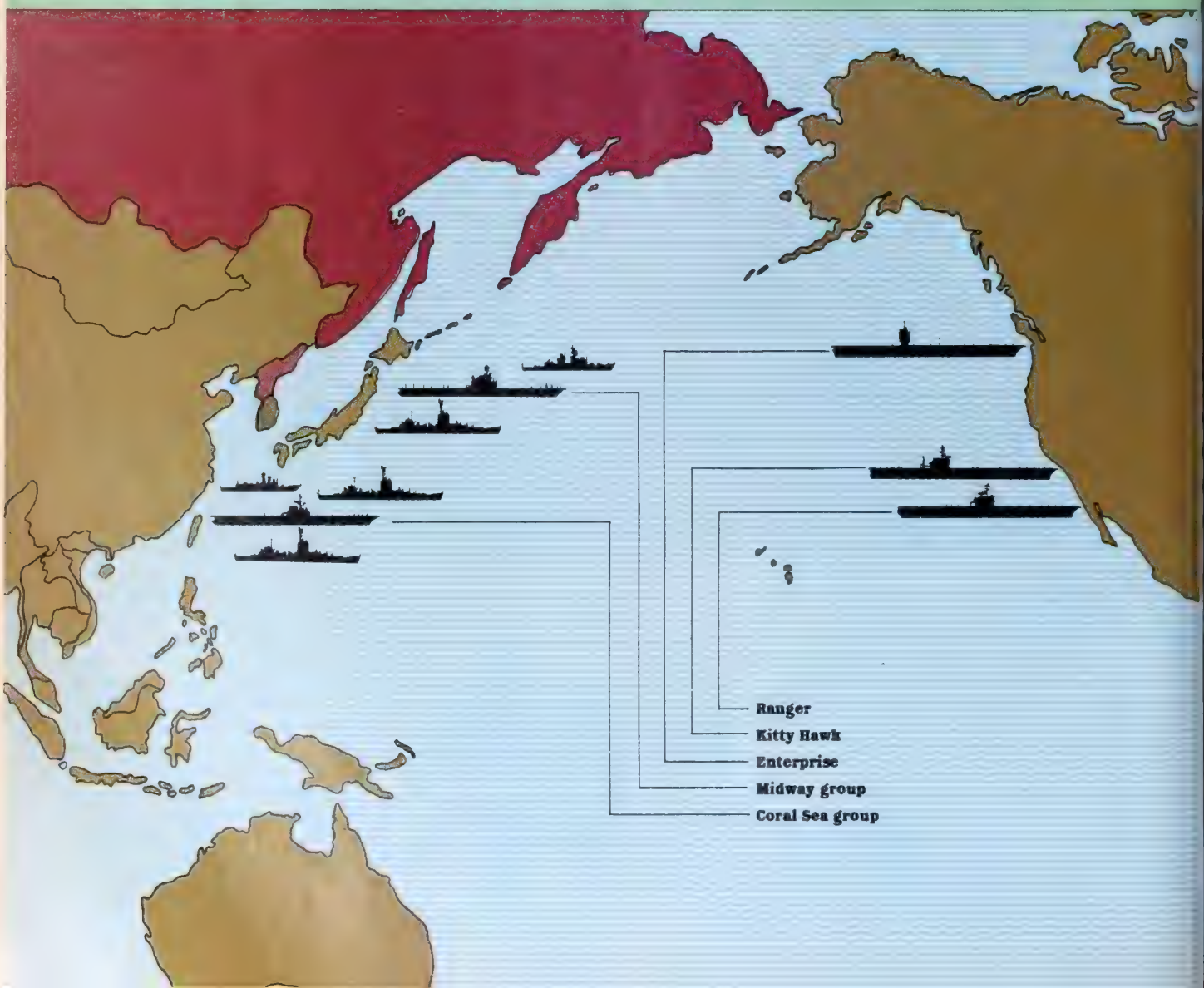
Midway
The oldest carrier in the fleet, in service since 1945, was on station in the North Pacific running landing tests.

Enterprise
Undergoing long overhaul in Bremerton, Wash. Last sea duty: seven months' cruise in the Western Pacific in 1978.

Kitty Hawk
In San Diego for maintenance after nine months in the Western Pacific with Ranger.

Ranger
In San Diego after seven months in the Western Pacific.

Forrestal
At home i Fla. (near ville) for r after six m the Medit



"My people are underpaid," ommander Ray Sharpe, a de-kipper. "They feel they've been ed by the government." Small A first-class petty officer with rs earns $11,730 and works 100 veek when he's at sea; a civilian working in Washington may $13,000 and get overtime. An ced Naval aviator earns about That's less than a long-distance er makes. Even the commissar- longer a bargain.

ntenance: An F-14 pilot says he ied when an arresting cable broke as he was landing on a carrier. An inexperienced enlisted man had rigged it incorrectly and the $25 million Tomcat rolled into the sea. The pilot ejected just in time. "One of the things I am worried about," says one top admiral, "is that there are some accidents that we don't know what happened where the guy and the crew were killed at sea. We don't recover the airplane and we don't recover the people."

• Plane and ship shortages: In each of the past seven years more Navy airplanes have crashed or worn out than were replaced. The fleet itself, with about 500 ships—300 of them warships—is the smallest it has been since 1939 *(see U.S./Russian force level chart)* and is about half the size of the fleet in the late Fifties and Sixties. For all the talk of rearmament, the situation is getting worse, not better. "Force levels are expected to drop sharply during the late Eighties and early Nineties because of expected ship retirements," says a recent Congressional Budget Office survey.

• Ammunition, parts, training: Ammunition is at about 50% of the level needed in the Pentagon's "next war" scenario, says Vice Admiral Holcomb. "Be-

ort? A carrier will typically need major refitting every four ears or so, each overhaul taking up to a year. After repairs ome the shakedown cruises and training time to make old rews, replacements and ordnance mesh. Accidents and reakdowns occur. (Last month the U.S.S. John F. Kennedy was involved in an explosion at sea.) The need for extra power in the Indian Ocean has stretched standard six-month cruises to eight months or more—just as the Navy was trying to shorten cruises for crew morale. All this, of course means more wear and tear on men and ships.

e
er refit- six- in the , mak- ea.

America
In Norfolk for refitting since last September after six months in the Mediterranean.

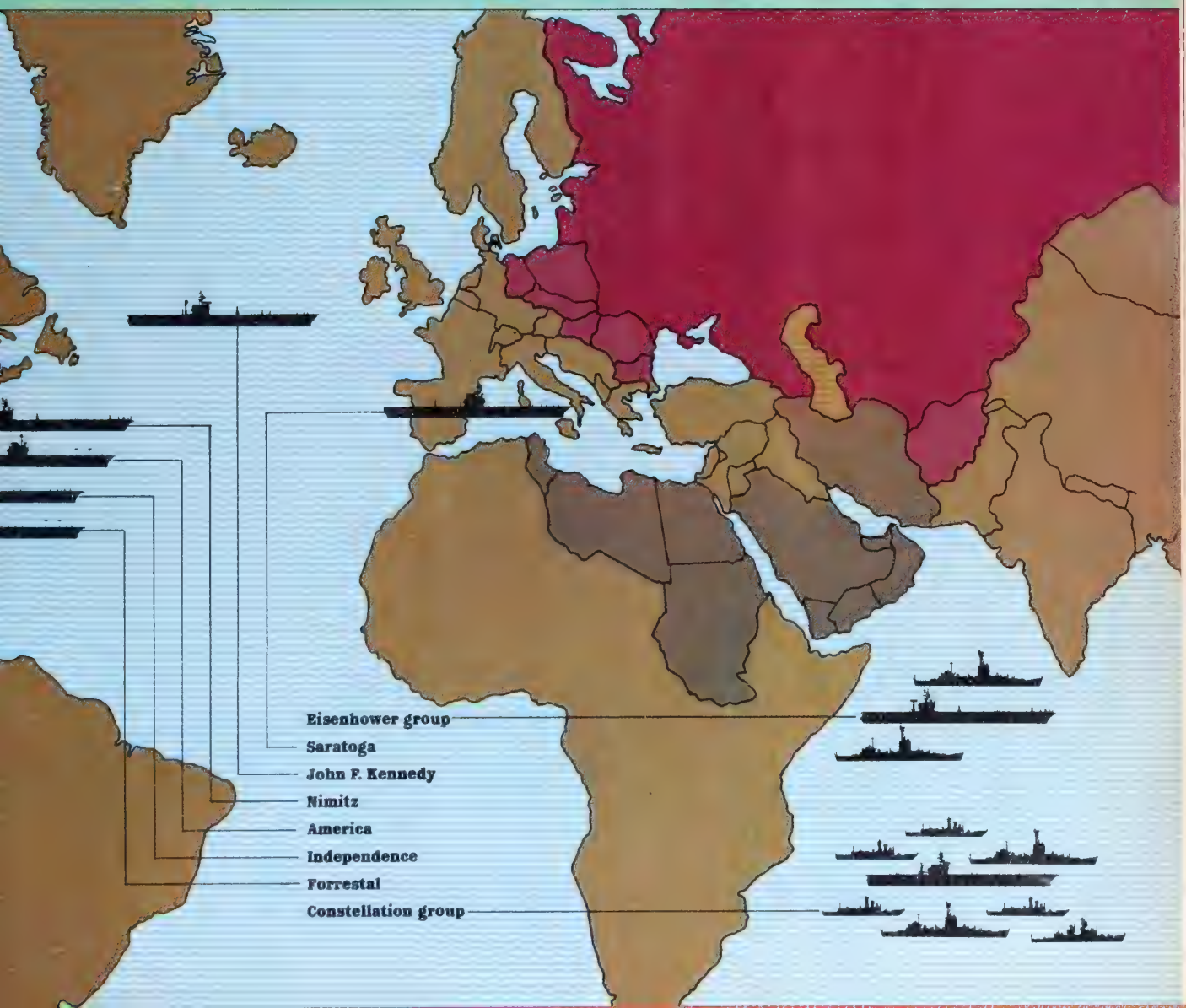
Nimitz
This nuclear carrier, sister of the Eisenhower, was in Norfolk for refitting after a record nine-month deployment.

John F. Kennedy
At sea in the North Atlantic on training exercises.

Saratoga
In Naples for refueling and shore leaves for the crew.

Eisenhower
On May 28 the Navy's newest and biggest nuclear carrier was leading one of two battle groups in the Indian Ocean.

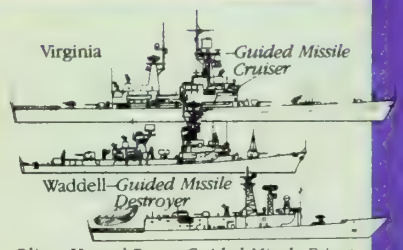
Constellation
With this second battle group in the Indian Ocean, a total of 21 ships and 18,000 men were on station in the area.

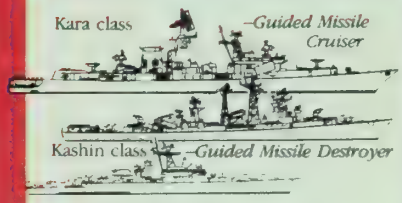


The bear has learned to swim

The Soviet Union's land mass, too, extends from sea to shining sea, but in the east it's the cruel North Pacific and in the west it's the Arctic Ocean. Thus geography and history conspired to deny her much of a naval tradition. The U.S.S.R. has been catching up fast. Below, a situation report comparing strengths.

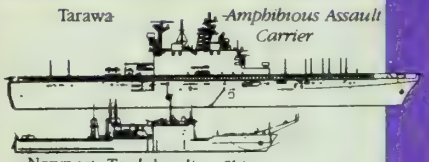
	U.S.	U.S.S.R.
Aircraft carriers	13	2
Surface combat ships	178	269
Submarines	123	357
Amphibious warfare ships	63	91
Patrol combat ships	3	120
Mine warfare ships	3	165
Auxiliary ships	79	760
Total active fleets	462	1,764

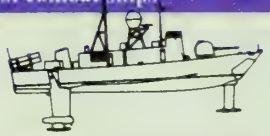




Sturgeon class–*Nuclear Powered Attack*

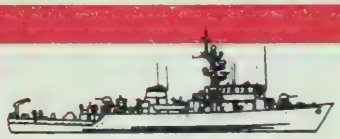
Yankee class–*Ballistic Missile*

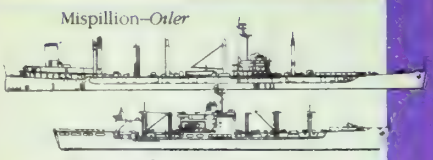



Pegasus–*Guided Missile Patrol*

Sarancha–*Fast Attack Missile Craft*

Aggressive class–*Ocean Minesweeper*


Natya class–*Ocean Minesweeper*



Amur class–*Repair Ship*

cause of a reduction in time spent in
camp, in some cases a man has r
fired a weapon. He has no fire-figl
training, and a lot of times he com
me with medical deficiencies suc
rotten teeth," complains one wa
commander. He says that parts for
systems can take more than a ye
acquire. "I've been reduced to a wo
rather than a tactical professiona
cause I have to get involved in the de
of maintenance rather than comm
ing this ship and being prepared to
it and training my officers to be t
cians. They're too busy chasing parts
doing jobs that should be done by
next level down."

• Readiness: Because of the exp
of the Indian Ocean operation, the N
has already cut back slightly on
steaming and flight time at home
stay alive, pilots have to stay in prac
"You have a thing called snakes in
cockpit when you haven't flown
long time and nothing seems to be in
right place," says Rear Admiral Ken
L. Shugart, head of the Pensacola,
based naval education and training c
mand. That's not a big problem now
Admiral Hayward concedes it could
to be one.

Now, contrast this with what the c
petition is doing.

The Cuban blockade humiliation
gered a long-term Soviet military b
up; Soviet Fleet Admiral Gorshkov,
70, convinced Soviet leadership tha
bear must swim to extend its p
around the world. Now he has amp
ous ships that can put Soviet ma
ashore, a new class of nuclear-pow
cruiser twice the size of U.S. cruise
new class of support ship that can su
the Soviet fleet anywhere in the w
Admiral Hayward says the Soviet A
class submarine is thought to be f
and capable of diving deeper than
thing the U.S. or any other nation
and that a new class of nuclear-pow
cruise-missile-carrying submarine
appeared in the past month.

"Soviet sea power, merely a mino
fensive arm in 1965, has become
optimum means to defeat the imperi
tic enemy and the most important
ment in the Soviet arsenal to prepare
way for a Communist world,"
Gorshkov in *The Sea Power of the Stat*

The U.S. Navy remains a potent s
ing force. On balance, it is still stro
than the Soviet navy. They have on
aircraft carriers—both small—to our
and they have a more limited abilit
supply their ships at long distance. B
is the *trend* that is worrisome. "We c
continue this way unless we want to
into a position of inferiority," says
miral Hayward. "They're lacking in
support but we expect them to fill
hole in the next decade. Then the Sov
will have worldwide intervention c

says a Pentagon analyst.
/'re building our kind of navy.
iculty is that they're building it
bit faster than we're building,"
miral Hayward.
Navy's current troubles began in
1. Recalls Admiral Moorer: "Mc-
[Robert McNamara, then de-
cretary] had a policy to buy for
instead of modernization.
veren't any ships being sunk, so
defense budget was going into
g trucks and tanks and helicop-
ays retired Admiral Elmo Zum-
rmer chief of naval operations,
time I came to office in 1970 the
age of our ships was 19 years. We
bsolescent Navy because we just
replace ships."
Carter Administration marched
ce 3½ years ago vowing to cut,
ease, defense spending. Money
sly earmarked for the Navy went
to build up the Army in Europe,
weak spot and important to the
stration because of its preoccupa-
th the NATO alliance and the
treaty, says Professor West of
al War College.
he admirals grumble? Of course.
ody paid much attention. Don't
people always want more than
ey have? Whatever credibility
tary possessed in a traditionally
tary society was vitiated by Viet-
us few Americans faced the fact
U.S.' loss of energy self-suffi-
had virtually extended our eco-
boundaries halfway around the
Now the message is beginning to
, but only faintly. For the current
ar Congress appropriated $46.1
nd added $2 billion later to make
nflation and the Indian Ocean
n. The President's budget re-
r fiscal-year 1981 was $50.1 bil-
t Admiral Holcomb says a 25%
ease is needed to retain skilled
That, plus the ammunition,
rts and replacement planes and
eded just to keep the Navy in
condition, would cost up to $8
year over current budget levels,

rt, the modest increases that the
Administration and Congress are
he Navy are little more than a
what is needed. Holcomb com-
hat the Navy has enough am-
ships to land only one of the
three divisions. But the ships,
vill start to become obsolete in
rs, are divided between the At-
d Pacific. "So we can't even do a
sion assault in either ocean
about six months of getting
it," says Holcomb.
crease the fleet and its air
by 30%—the growth needed if
y is to maintain a permanent
in the Indian Ocean—would be

The high cost of sailing in harm's way

Today's "battle group" differs not at all, conceptually, from the World War II "task force," which evolved as aircraft carriers displaced battleships as *the* capital ships of the fleet. In the intervening 35 years, however, huge differences have developed between them in firepower, sophistication and cost. Every battle group takes its name from the aircraft carrier that is its heart, its reason for being. The number and types of other vessels comprising the group vary, of course, with the mission, the area, the potential threat. It can vary even from day to day. Below, the composition of one battle group, the Nimitz, one day last March when the Nimitz was on station in the Indian Ocean.

Nimitz

The nuclear carrier Nimitz, 1,100 feet long, displacing 92,000 tons (the battleship New Jersey, for comparison, is 890 feet long and 60,000 tons), carrying 85 planes and a crew of 5,000. Price: $2 billion for the carrier, another $2 billion or so for the aircraft, which include:

F-14

24 Grumman F-14s. This supercostly ($25 million apiece) pride of the fleet can fly at 2.4 times the speed of sound. It carries a radar missile system to track up to 24 targets and attack 6 of them at once. It is designed both to defend the battle group from the air and to attack targets on the ground or at sea.

F-18

24 A-7s. A 13-year-old subsonic plane (cost: $4.1 million apiece), the A-7 is being phased out in favor of the twin-jet, multimissile fighter attack plane—the McDonnell Douglas F-18—which will cost $21 million each.

A-6

10 Grumman A-6 bombers ($13 million apiece) with a 1,100-to-2,700-mile range, depending on load, a top speed just under Mach 1, carrying 28 500-pound bombs.

California

Two guided missile cruisers, the California and the Texas, armed with surface-to-air missiles, rocket-launched torpedoes and helicopters to protect the carrier from submarines and surface ships. Top speed: 30-plus knots. Cost of California, built in 1969, was $195 million.

Mispillion

An oiler, the Mispillion, which carries 107,000 barrels (4.5 million gallons) of fuel for fossil-burning ships and aircraft. It was built during World War II for $4 million. Oilers today cost $120 million.

Paul F. Foster

A Spruance-class destroyer, the Paul F. Foster, critical to antisub defense, whose sonar gear can detect underwater craft over 20 miles away. It has two guns, torpedoes and two helicopters for antisub work. Cost: $140 million.

White Plains

A supply ship, the U.S.S. White Plains—the Navy calls it a "floating Sears"—replenishing food, hardware, spare parts and paper goods for the men.

Submarines. Although the Navy wouldn't discuss it, it can be assumed that where there's a carrier, subs to protect it are nearby. The new Los Angeles-class attack subs, for example, are designed to destroy other subs or surface ships with cruise missiles and torpedoes, including one that is launched underwater, breaks the surface and flies, then drops back into the sea near the target. Submerged speed: 33 knots. Cost: $300 million.—*Beth Brophy*

Chief of Naval Operations Thomas B. Hayward
"They're building our kind of navy. The difficulty is, they're building faster."

an eight- to ten-year project costing another $10 billion a year, including bringing the number of carriers up from 13 to 16, Holcomb says. That's $18 billion more a year for a healthy Navy operating in three oceans. Allowing for inflation, call it $100 billion extra over five years—and some analysts believe that's a low estimate.

Consider some of the price tags on new equipment. In World War II a gull-winged Corsair fighter cost about $75,000. A Korean War Skyraider attack plane cost $285,000. Today the F-14 Tomcat Navy fighter costs about $25 million and the A-6 all-weather attack-bomber costs $13 million. A carrier air wing—the Navy has 12 of them for its 13 carriers—has between 70 and 90 of these costly aircraft. The old "tin can" destroyers have been replaced by new models that are as big as some World War II cruisers and carry sub-hunting helicopters. The cost has jumped from $5 million in World War II to $140 million for a new Spruance-class destroyer. Gone is the heavy artillery of the cruiser, the $18.5 million gunship of World War II; the Aegis class cruiser, a modified version of the Spruance destroyers, is armed with guided missiles and costs about $1 billion. The piece of Plexiglas and grease pencil a petty officer once used to record enemy movements have been replaced with elaborate and costly computers.

Submarines are no longer $4 million surface vessels that can hide under water. Today they are nuclear-powered and only come to the surface entering or leaving port. Each Trident submarine and its 24 Trident-1 missiles, the Navy's arm of the strategic air, sea and land nuclear forces, costs about $2 billion.

There aren't many weapons as simple as the old 50-caliber machine gun, either. The Navy says Sparrow air-to-air missiles cost $155,000 each and the heat-seeking Sidewinder is going for $103,000 a missile. Phoenix air-to-air missiles cost about $1 million each and the bulk of what the U.S. has went with the carriers to the Indian Ocean. "There weren't a lot of other Phoenixes in the whole world," admits one vice admiral.

A giant nuclear-powered aircraft carrier costs about $2 billion, but the aircraft aboard add another $2 billion—and if you have an aircraft carrier, you need cruisers, destroyers and frigates to guard it. The cost runs more than $10 billion for a battle group.

Looking at these costs, looking at the tax burden Americans are already carrying, looking at the other needs of our society, one is tempted to say: "We can't afford to be a world power; let's pull back to Fortress America." But you can refute that argument with a single word: oil. Were the U.S. not a world power, the Soviets and their friends probably wouldn't lose a day in grabbing the Middle East's oil. It is questionable whether U.S. nuclear power alone would deter this—any more than it kept Khomeini from kidnapping 50 U.S. diplomats. The Arabs know it. The Soviets know it. Only Americans sometimes act as if this were not so.

So, the question isn't: Can we afford a modern navy? The question is: Can we afford not to have one? Gradually, understanding is dawning. "Enough people are now alert to the problem that we can do some catch-up," says Senator Charles Mathias (R–Md.).

If the national defense issue takes hold during the fall campaign, Carter is in for heavy flak. In his Administration, the U.S.' military position has deterior and continues to deteriorate. In the four years his Department of Def has offered the Congress four diffe five-year shipbuilding programs. 1977 Carter shipbuilding plan wa build 160 ships. That dropped to 70 s in 1978 and 67 ships in 1979. This y program was for 97 ships—a step in right direction—but just a few mo ago, the President sent a letter to fense Secretary Harold Brown orde the military to stop whining about p

Contradicting himself for the u teenth time, Carter went to Norfolk promised thousands of sailors on the rier Nimitz he would fight for incre benefits—a proposal that was alr pending in Congress—and returne Washington only to complain about size of the defense budget.

Presumed Republican challenger R ald Reagan has hammered away on need for a strong national defense. pronouncements about the Navy ha far been confined to the need to ahead of the Soviet buildup and dev new techology. Independent candi John Anderson is on both sides of rearmament question. He has come against the MX missile and the bomber, but he's in favor of Trident marines and missiles and higher pa the military. An Anderson spokes explains that the Trident is more e ronmentally sound than the MX and higher pay for the military will ob the need for draft registration.

Meanwhile, the Naval War Coll Professor West compares the Navy t Washington Redskins of a few years "They were in reasonably good co tion. They were experienced. A team. But without adequate draft p they were feeding off the capital in ment of yesterday."

In an article that so clearly advoc rearmament as this one does, it is fair to ask: Okay, but how much w cost? Shortages of skilled manpower equipment problems are by no m confined to the Navy. The Congress already formally put the price of m taining the U.S. military with s buildup at $1 trillion over the next years. That only includes part of the $100 billion for the Navy. Even tha trillion could grow, depending on w happens to controversial proposals the MX missile, the B-1 bomber, the air transport and big pay hikes for al services. So there it is: upward of billion a year on top of the current m tary budget of $150 billion. What that do to hopes for a balanced budge plays hell with them, but consider alternative. The Soviets read the pr lessons from the Cuban missile c and acted upon them. We did not. I we are going to have to pay for complacency. ■

Knowing what it's worth can be worth a lot.

We didn't help bring the Big Apple to market. But we did help the Peach State with the value of

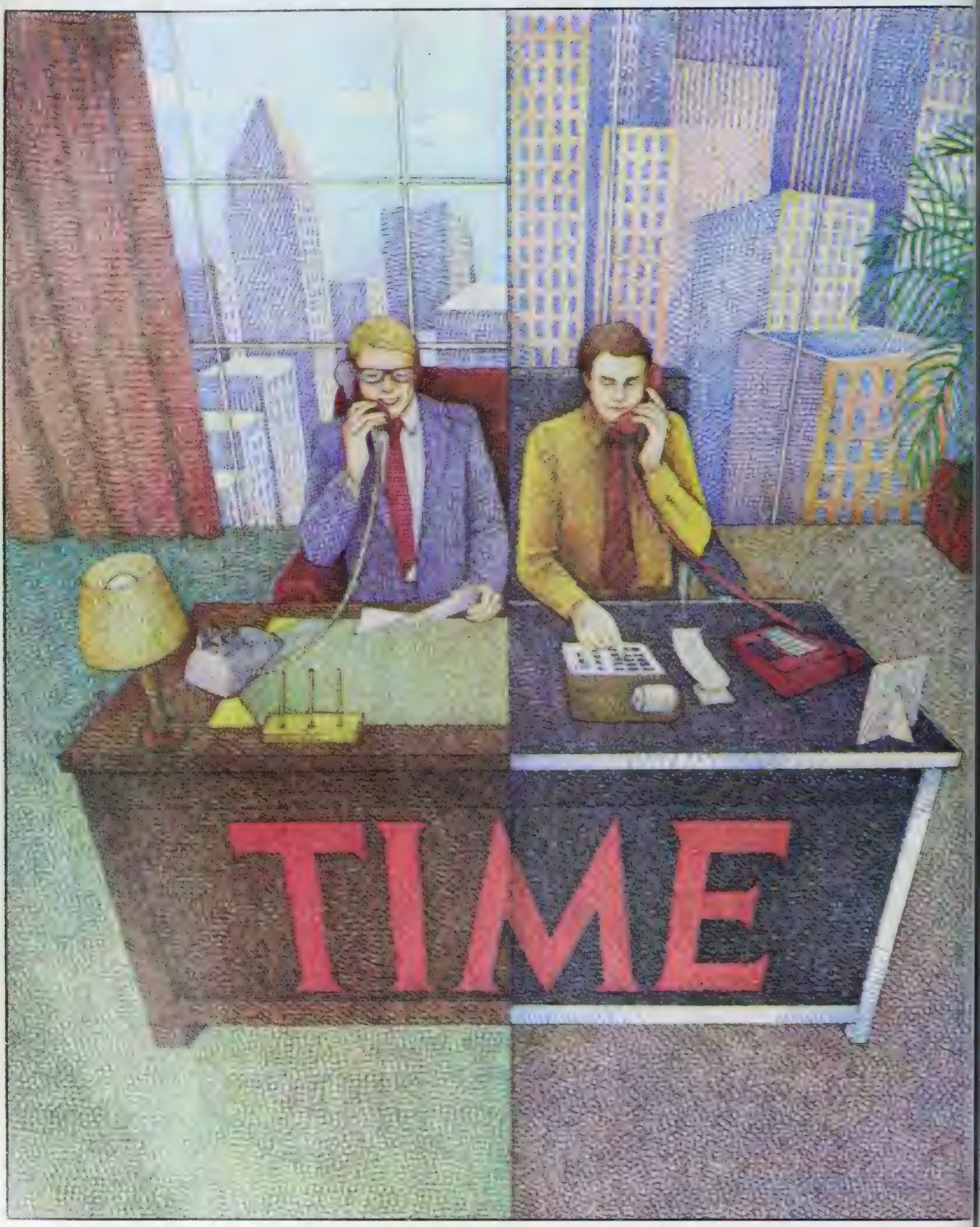
AMERICAN APPRAISAL®

Ossabaw Island. The world's largest appraisal firm can help you, too, with real estate and much more.

WE KNOW VALUES.

nta · Baltimore · Bangkok · Boise · Boston · Buffalo · Charlotte · Chicago · Cincinnati · Cleveland · Dallas · Denver · Detroit · Hong Kong · Honolulu · Houston · Jakarta
sas City · London · Los Angeles · Madrid · Manila · Mexico, D.F. · Miami · Milan · Milwaukee · Minneapolis · Montreal · New Orleans · New York · Pasadena · Philadelphia · Pittsburgh
land · Princeton · Rolling Meadows · Rome · St. Louis · Salt Lake City · San Francisco · Seattle · Singapore · Spokane · Stamford · Tampa · Toronto · Vancouver · Washington, D.C.

HOW BUSINESS C



TS TO BUSINESS

ME's Answer Bank has some interesting new facts for dvertisers to the business and financial communities.

TIME's Answer Bank is the largest ngle source of vital marketing information the magazine industry. There's nothing se like it.

The long list of reports and data avail- ble from the Answer Bank can give you ew insights into who buys business and dustrial equipment, where these sales are ade, the effectiveness of corporate adver- sing. And a lot more.

Even if you have your own extensive ata, specialized studies available from the nswer Bank might help you further efine your sales potential and refine your arket thrust.

And what if you happen *not* to be ecifically interested in advertising to busi- ess and financial circles? TIME's Answer ank can give you the same kind of infor- ation assistance whatever your field. The search people we use are the finest. Our amples are fastidiously drawn. And esides our array of market studies, we rovide an abundance of "real world" ata, such as Census and Bureau of Labor tatistics information. We'll also provide in- epth analysis of syndicated research.

The adjacent box contains a small xample of the various kinds of data we an provide. If any is of interest to you or if ou have any other inquiries, write on your tterhead to Seth Bidwell, Director of Mar- eting Services, TIME, TIME/LIFE Build- g, Rockefeller Center, N.Y., N.Y. 10020.

Some of our recent reports

Yankelovich/ Phase II.
An expanded study of corporate advertising effectiveness, covering 64 companies in nine major industries.

Selected Bibliography on Corporate Communications.
Current and past information and research from government, private and association sources.

A Book Report.
Reading and book purchasing habits among TIME subscribers in the top 35 U.S. metro markets.

Geography of Business Equipment Demand.
Percentage of total demand by states and U.S. metro markets.

Profile of the Business Equipment Market.
Demographic/ geographic analysis of respondents to TIME's special sections on new office technologies.

Focus on small computers.
Distribution of minicomputers by industry, company size and brand name.

A Look at the Top.
Top management estimates throughout U.S. business by industry and company size, based on U.S. Census of Business and Dun & Bradstreet Directories.

New Corporate Workshop.
An overview of corporate/association communications, including the size and shape of the corporate target universe, case histories, and advertising effectiveness studies.

THE ANSWER BANK

The marketing information service of TIME

© Time Inc. 1980. All rights reserved

Russia may have the edge in tanks, attack submarines and nuclear warheads, but can it catch up with our K-9 corps in kennels?

The dog palace

By Beth Brophy

JUST WHEN FOLKS are about convinced the military needs more money, they get into some dog-gone foolishness . . . like, for example, the $370,000 doghouse proposed at Ft. Myer, Va.

"It's not a doghouse, it's a kennel facility," insists Colonel George Wyckoff, deputy for veterinary activities at Walter Reed Army Medical Center. "When you say 'doghouse,' the public thinks of Snoopy sitting on a two-by-four."

Snoopy should live so well. The design calls for grooming rooms, running fields, a hospital stall, parking spaces for specially equipped trucks and cars to chauffeur these German shepherds to their daily activities—guard duty and bomb and drug sniffing—plus hot and cold running water and toilet for the GI dog trainers who are on duty 24 hours a day.

The dogs now live in outdoor doghouses and work out in spacious training fields. "Totally inadequate," says Wyckoff. Sanitation and keeping the dogs dry are the biggest problems. "There are cracks in the concrete pavement which harbor organisms, so viruses spread. Also the dogs aren't protected from dampness. Our medical records show the dogs suffer from skin and foot abrasions it rains, snows or is windy."

Explosive-sniffing dog Duke and friend
Snoopy should live so well.

If $370,000 sounds a bit mucl Army reminds us that we're not t about ordinary mongrels here. talking about the descendants of t trol dogs that saved countless li Vietnam by alerting GIs to bombs, traps and enemies in hiding. Three dogs are specialists. Duke and Th expert explosive sniffers. The named Doc handles the narcotics The other nine are general patr attack dogs and not exactly overw right now. About three or four calls in per week requesting their ser While there aren't any armed Viet on the Ft. Myer base, the Army still lot of money and training time in in the dogs—about $10,000 to $1 each. "If you have a $10,000 car not going to leave it outside in the says Wyckoff. "You'll build a garag

How does a $370,000 kennel sli the senators on the Armed Se Committee, which approved it in days of budget cuts and austerity sures? "My guess is that it just sl through," says a Senate staffer. " are a helluva lot of these military struction programs in the $5.4 b budget, each for a substantial amou would be a physical impossibility f senators to discuss each item."

An aide to Senator John W (R–Va.), committee member and co sor of a bill to increase military pay fits, disagrees: "The committee v it as a necessary item. Because value of the dogs, they are bett inside. Without the dogs we wo have the capability to detect bom the Pentagon, the Capitol or any go ment buildings." The constructior is in Senator Warner's state.

The $370,000 price tag doesn't ju to brick and mortar. The constru project consists of $74,000 for the k operations and veterinary services l ing, $79,000 for kennels for 18 dogs though the Army has only 12 $117,000 for utilities and site imp ment, $18,000 for roads and par $40,000 for a 20,000-square-foot ex and training field and another $4 for demolition costs.

The Army could rest its case for ing to provide the K-9 contingent w nicer home on other grounds. U other career military personnel, the can't look forward to retiring on a ernment pension. When the ca grow too old for Army work the destroyed; their expensively culti killer instinct makes them unfit for ian life. "Just like racing animals, i their best interests to destroy when they get old," says Lieut Colonel Michael Dickerson, an spokesman.

Now about that pay problem . . .

ms of the last recession, many real estate stment trusts are beginning to look ty attractive during this recession.

REIT rally

By Howard Rudnitsky

R WELL OVER A YEAR NOW, smart noney has been betting on the iumphal return of real estate in-nt trusts (FORBES, *Aug. 20, 1979*). gh share prices remain relatively er the past 18 months or so insid- astute corporations have been buying. A major attraction: In ession, unlike in 1974, the realty remains tight, which means REITs are sitting with valuable es on their books. The Tax Reform Act of 1976 also permitted an eight-year carryforward period for REIT losses, giving some loss-plagued REITs another potentially valuable asset. And today most REITs aren't locked into costly construction loans as they were in 1974.

Therefore, unlike the last recession, REIT prices have remained fairly stable. In 1974 soaring interest rates pushed the cost of financing new properties way above projected rates of return, and REIT prices, as measured by the National Association of Real Estate Investment Trusts' share-price index, collapsed from 62 to 17, leaving hapless investors with roughly $3 billion to $4 billion in losses.

This time it's different. As of June 30, the NAREIT index stood near 36, down less than 10% from the recovery high set last August before Volcker began pouring cold water on the economy.

Over the past five months, says Henry Wilf of Drexel Burnham Lambert, "REIT buyers outnumbered sellers among insiders by nearly 10-to-1. And from January to late June there were over 120 filings by large corporations and other groups, stating they've taken big positions in 46 different REITs." Among the more recent of these corporate buyers is Transamerica, which announced plans for a substantial increase in its 8.9% position in $61.5 million (assets) Mortgage Trust of America. Unicorp increased its stake in $48.3 million (assets) San Francisco Realty. Carl Lindner's American Financial Corp. has taken major positions in no fewer than five big REITs, including $112.1 million (assets) Kenilworth Realty and $270.3 million (assets) Triton Group.

The interest has sparked a number of proxy fights. Chicagoans Clyde Engle of Telvest, Inc. and lawyer Nathan Dardick led the group that recently seized control of Milwaukee's $45.6 million (assets) Wisconsin Real Estate Investment Trust. Philadelphia's Sidney Baer has been trying to parlay a 16% position into control of $45.1 million (assets) FGI Investors. A

Taking the measure of the born-again REITs

Measuring the value of a REIT investment can be ricky. Net worth is a start. Depreciation flow helps. Asset size can be misleading; if the assets are big, the liabilities may be big, too. Below, 25 REITs ranked by their market value. The ratio of market value to equity is a clear signal of investor sentiment at the moment.

	Market value	Shareholders' equity	Accumulated depreciation	Total assets	Ratio of market value to equity	Recent price	Price range (52 weeks)	Yield	Dividend
		(millions)							
ecticut General Mtg	$138.5	$107.0	$10.8	$339.3	1.29	23¾	27⅛–19	8.4%	$2.00
ral Growth Properties	110.1	35.9	25.8	445.8	3.07	17¾	47 –17¼	12.1*	2.14*
Union RE	103.1	62.5	40.3	243.5	1.65	18½	19½–13½	6.9	1.28
worth	103.0	48.5	14.6	112.1	2.12	38⅜	39⅜–24¼	—	—
y Life/Mtg	87.8	131.4	—	400.9	0.67	15½	20⅜–11½	11.9	1.85
Y Mtg Inv	82.8	87.0	1.1	212.2	0.95	9¼	9⅜– 6¾	11.0	1.02
s/Nettleton Mtg Inv	77.2	103.6	—	370.2	0.75	20⅞	21½–13⅞	11.5	2.40
Fargo Mtg/Eqty	67.6	70.5	4.0	212.4	0.96	17⅛	17⅞–11	8.2	1.40
Mutual M&R Inv	64.8	92.8	—	182.6	0.70	13⅞	14¼–10½	10.0	1.39
l Cap Rlty Inv	64.6	34.0	20.1	135.5	1.90	32½	32½–23	7.8	2.52
ard RE Inv	63.1	101.3	2.2	105.4	0.62	15¾	19¾–13¾	11.2	1.76
Amer Rlty Inv	62.4	61.8	4.4	173.5	1.01	17½	20¼–12¾	6.9	1.20
ington REIT	56.1	23.7	10.1	43.0	2.37	36¼	37¼–24¾	6.3	2.32
Realty	49.3	46.4	—	59.1	1.06	16⅛	17½– 9¼	7.6	1.25
Mtg & Rlty Inv	47.0	78.3	0.3	173.6	0.60	9⅞	12¾– 6⅝	10.2	1.01
western Mut Life Mtg	44.0	90.8	3.4	234.1	0.48	9¼	11⅞– 7⅜	10.8	1.00
BF) REIT	42.7	22.0	22.6	248.4	1.94	7¼	9¼– 5⅛	—	—
rty Cap Tr	41.8	28.4	—	47.1	1.47	20¼	20⅜–12½	7.5	1.52
Investors SBI	39.8	29.9	4.1	80.6	1.33	23½	24¼–18¼	10.2	2.40
Estate Inv Tr Amer	37.6	36.7	13.3	46.1	1.02	23	23¾–17	8.7	2.00
RE Invest Tr	37.5	21.9	23.0	81.7	1.71	24	24¼–18	7.9	1.90
d Realty Tr	36.1	63.7	0.3	69.6	0.57	10	12⅛– 7⅜	9.9	.99
Trust of America	35.4	56.0	2.2	61.5	0.63	8¾	9½– 5⅞	—	—
rancisco RE Inv	34.4	26.6	4.7	48.3	1.29	24½	25½–19⅜	7.2	1.76
er REIT	33.0	9.3	—	54.7	3.55	30	31½–15½	4.7	1.40

ides $14.04-a-share capital gain distribution in 1980.

group of brokers from Houston's Rotan Mosle, Inc. is leading a boarding party against $21 million (assets) Henry Miller Realty Trust of Dallas.

There are two kinds of REITs. Equity REITs buy and own properties; mortgage REITs supply financing. Most of the market interest is in equity REITs because the properties they bought or built in the early Seventies are now often worth more than book value. But the interest has spilled over to others as well.

To defend themselves against acquisitive, liquidation-minded outsiders, some REIT managements, like Kenilworth's and Franklin Realty Group's, have come up with their own liquidation plans to pass on the difference between market and book value to shareholders directly. Others are seeking refuge in merger—hence the current talks between Columbus, Ohio's Nationwide Real Estate Investors and Old Stone Corp. of Providence, R.I. Still others have abandoned REIT status to become operating real estate companies. Instead of being passive conduits of earnings, dividends or losses, they have taken over defaulted properties and restored them to income-producing status. To do that, they've had to relinquish their big tax-loss carryforwards as the law now stands. Although one version of a bill to restore carryforwards recently failed in Congress, another effort will be made.

The tough part about investing in REITs is figuring out how to value them. Ideally one would want to multiply average cash flow in recent years by the typical rates of return for properties in the areas in which a REIT has a stake. But REIT experts like Ken Campbell of Audit Investment Research and Drexel Burnham Lambert's Wilf think there's a simpler way. The net worth of equity REITs is frequently understated, they feel, because of rampant inflation. So Campbell adds back accumulated depreciation. Looked at this way, he says, equity REITs are selling at just 10%, rather than 35%, above book.

Even that device probably gives an understated picture. After all, many real estate developments have greatly appreciated in value in recent years. For example, when General Growth Properties sold some older shopping centers this year, it picked up a capital gain of $90 million ($15 a share) or nearly 2½ times its total equity before the transaction.

At the other end of the spectrum is long-troubled Triton, formerly Chase Manhattan Mortgage & Realty. Having once had nearly $1 billion in assets, the Chase trust ran up almost $300 million in debts. Now it's out of bankruptcy, but there's not much left over for shareholders, including those creditors who had no choice but to become shareholders. Triton has about $42 million in net assets. But because the trust's creditors h take stock—convertible debenture preferreds—the dilution potenti enormous. According to a Triton sp man there could be 62 million s outstanding should everyone conv all warrants were exercised, the could be 75 million shares. That v out to a net worth of 69 cents a sh so; Triton's share price in mid-June ered around 70 cents. On the surfac bargain.

Why then did American Finan Lindner buy Triton bonds, conve into stock, back in April and May, v if converted could give his compa much as 19% of Triton's common?

Lindner isn't telling, but some an figure he's looking at Triton's $147 lion worth of potential tax-loss car wards. Those tax losses do not e until the late Eighties, and Lindr buying them for almost nothing. he may be betting on is that Tr management will be able to acquire itable operations to shelter from t Meanwhile, over the next few year ton's real estate could increase in va

Lindner will have to be pat There's no dividend. But if you American Financial you can afford patient. For the average investor are lots of REITs that pay substa dividends *(see table)*. And they are likely to be cut. ■

Capital is the most influential business magazine in Germany, and the largest such magazine in all of Europe. It is by far the most effective, efficient way to reach decision-makers in Germany.

For more information on the media and markets of Germany, and how Gruner + Jahr can help you reach them, please contact Henry Meyer-Oertel, Gruner + Jahr International, 60 East 56th Street, New York, N.Y. 10022, Phone (212) 753-6190.

DrMK

G+J **Communication in Germany**

Gruner + Jahr AG & Co, Druck- und Verlagshaus, Postfach 30 20 40, 2000 Hamburg 36, West Germany

na thought it was smart to tell its custom-
ll about its planned new jet. Trouble was,
rival Learjet was listening.

David zaps Goliath at 51,000 feet

By Paul Gibson

AY RANK as the worst commercial ader yet made in the $2.6 billion eral aviation market. In late 1976 Aircraft Co., the world's largest f small piston-engined craft, an- l the first all-new business-jet- be made in the U.S. in a decade. nted to alert potential customers e had coming to market," ex- Cessna spokesman.

ews alerted nobody more than s at Gates Learjet Corp. "They have hoisted a more meaningful signal for us if they tried," says President Harry Combs. "We ting there fat, dumb and happy, a new plane even on the drawing

t had a hammerlock on the biz- et. Cessna had a couple of fan- they were slower than the Lear- ady aloft. Cessna's proposed Ci- l threatened to strike directly at Achilles' heel—its low cabin Even Combs, a burly six-footer, s about them: "They're so low you spend your time on the fetal position."

s ordered his engineers to get a ne aloft even if it meant a model petitive than Cessna's.

urned out, Learjet got lucky. The l Aeronautics & Space Adminis- had just invented what the trade calls winglets. Located at the ends of a wing, these look and act like sails on a boat. By reducing drag and increasing lift, winglets markedly raise fuel efficiency by as much as 25%. NASA made the design available to all planemakers, but Learjet was the first to recognize its significance. It redesigned an existing model to take winglets, then added them to its challenger against Cessna's Citation III, which chose to ignore this development. Thanks to winglets, Learjet's new 50 series models, the aptly named Longhorns, are both larger and heavier than anything Learjet previously flew, yet burn scarcely more fuel while carrying two extra passengers with plenty of headroom. "You should have seen those Cessna engineers crawling all over it when we unveiled the Longhorn at a trade show," chortles Combs.

Any new plane could hardly have been better timed. Demand for bizjets is at an alltime high, with retail sales in the U.S. around 400 units, double 1974's level. Learjet and Gates make two-thirds; the rest is split between six other makers, mostly owned by foreign governments. No longer solely a status symbol, these jets are viewed as essential transportation for executives visiting plants in towns the scheduled airline carriers stopped servicing after deregulation. Of the 14,000 airstrips in the U.S., commercial airlines visit barely 350, with a like number serviced only by commuter airlines. "Among our buyers the image-makers like Jack Nicklaus are now conspicuous by their absence," says a Learjet salesman. In their place are companies such as Eaton Corp., which recently bought its seventh Learjet, and Xerox Corp., which employs 18 pilots and runs what is virtually its own airline.

The Learjet Longhorn appears a surefire winner. Already the Federal Aviation Administration has cleared its wing to fly at 51,000 feet; among commercial planes only the Concorde now travels that high. The advantage: At that altitude a plane gets more miles per gallon and flies above most thunderclouds. Learjet hopes the 50 series plane will be fully certified this November and that the first of the 140 models on order (at $4 million a copy) will be delivered only weeks later.

There are no smiles across the tarmac at Wichita Mid-Continent Airport in Kansas where Cessna also keeps part of its headquarters. Ask a Cessna spokesman about orders for the Citation III and he snaps, "That's not a meaningful figure until we begin deliveries." He's raising a touchy topic. Cessna Chairman Russ Meyer last month blushingly told customers that delivery of the Citation III would begin in October 1982 instead of July 1981 as once planned, because of a series of production problems.

Apparently Cessna has compounded its commercial blunder with a production snafu. While orders for its small, piston-engined planes—used more by small companies and sportsmen—vanished with the recession, Cessna tried to keep jet output high. It overlooked the parts shortage caused by a bottleneck in the nation's overworked forges and ran short of such parts as landing-gear forgings and thrust reversers.

Soon Cessna's plants were bulging with partially built planes, and the value of its unfinished inventory ballooned. As Cessna ordered mass layoffs, word spread through Wichita that the company was in a severe cash bind. In March Moody's Investors Service downgraded its commercial paper and in April Cessna halved its dividend.

"Unless Cessna soon gets itself sorted out it must be considered a takeover target," says Michael Carstens of A.G. Becker's New York office, while Bear

rjet's Longhorn (left) *versus Cessna's Citation III*

er to win the executive jet race, Cessna tripped over its own public relations and now lags further behind Learjet.

Sign your car and catch a car thief.

Last year Americans bought twenty million automobiles, and stole one million more.[1]

Now *paying* for cars and car insurance is too hard to let *steal-*

ing cars be that easy. And some pretty primitive precautions—not to mention sophisticated laws that would make trafficking in stolen cars a Federal offense—can help.

The owner's name, scratched into the inside of the gas cap, was evidence needed to reunite a Texas man with his stolen pick-up truck.

A Detroit Cadillac owner helped police identify his stolen car by remembering *birdseed* spilled under the back seat. (The thief is now roosting in the federal coop.)

Your business card, dropped down window channels into doors or secreted in places only *you* will remember, will serve the same purpose.[2] And even simpler than "signing" your car is locking it.

In Boston, for example, where 1 out of every 35 cars was stolen in 1975, a "Lock-your-car" campaign run by the National Auto Theft Bureau helped cut theft 26% in two years.[3]

One last word of advice. Before you buy the expensive options that'll make your car *more* attractive to car thieves, buy the anti-theft device options that'll make it less attractive.[4]

Auto theft can be cut. Auto insurance costs can be controlled. Don't underestimate your own influence. Use it, as we are trying to use ours.

Ætna wants insurance to be affordable.

[1]Auto theft is no longer a "cottage industry": it's a huge racket that costs the American people $2 billion a year.

[2]The National Auto Theft Bureau also suggests: using a vibrator pencil, etch the vehicle identification number in several hard-to-find spots. Use your imagination: the more unique your hiding place, the more exasperating to a thief!

[3]About 20% of stolen cars are driven away with the keys the owner left *in the ignition:* in another 20%, keys are transparently "hidden" above the visor, in the glove compartment or under the driver's seat. Locking your car won't protect it from a professional thief, but it will protect it from the joy-riding teenagers who account for many thefts.

[4]These devices only slow down a professional thief, but the more time it takes him, the more chance he'll be caught. Locking systems, cut-off switches and security alarms are all available at auto supply stores.

Ætna
LIFE & CASUALTY

Ætna Life & Casualty,
151 Farmington Avenue,
Hartford, CT 06156

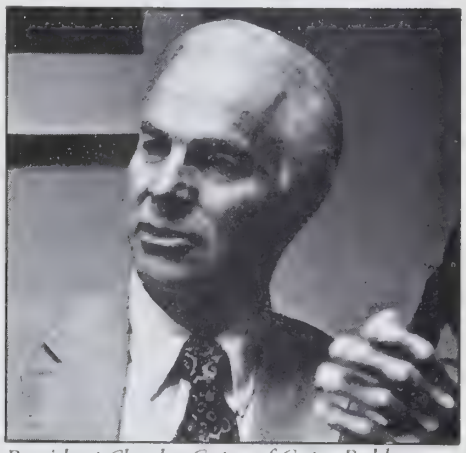
Stearns' aviation analyst, Steven Slawson, sees Cessna's 1980 earnings being cut almost in half to $1.25 a share. In sharp contrast, he expects Learjet, which in its fiscal year ended Apr. 30 earned $2.54 a share on $351 million revenues, to almost triple its net income over the next two years.

General aviation is a notoriously fickle business. But this time at least tiny Learjet, still only a third the size of $1 billion-plus Cessna, appears to have scored a notable victory over the industry lea Even so, longtime flyer Harry Co sagely continues to remind his colleag at Learjet, "In this business the cla error is to think you have the ultim airplane." ■

Rock the boat!

A lot of people thought Charlie Gates, president of family-owned Gates Rubber Co., was crazy when he went into the jet aircraft business. To this day, Gates wonders what his father would have said. "Before I took over the family business," recalls Gates, "my father said, 'Whatever you do, don't take any risks.' " Gates, now 59, silver-haired and still thin as a pole, grins at the memory. "My father said I wouldn't need to endure the scary times he had. He told me, 'Son, don't rock the boat.' "

The elder Gates had in 1911 paid $3,500 for a faltering mail-order business making leather bands that fastened over automobile tires to increase mileage. Over the next five decades he expanded into tire manufacturing and into rubber belts and hoses. At his death in 1961 he bequeathed his son and four daughters ownership of a broadly based rubber company with $139 million in sales. Charlie Gates immediately began rocking the boat. Risks? He soon had Denver-based Gates Rubber dabbling in one thing after another—from automated egg farms to lead-acid batteries, from overland trucking to mutual fund management.



President Charles Gates of Gates Rubber
Zesty topic for the Happy Hour.

An aviation buff, Gates paid about $30 million in 1967 for control of ailing Lear Jet Industries on the advice of a flying buddy, Harry Combs. They figured Gates could succeed in the nascent market for business jet airplanes where innovative William P. Lear was running out of money. It wasn't that easy. By August of 1971 Gates was cooling his heels in an anteroom to the Los Angeles offices of Chairman Thomas V. Jones of Northrop Corp., hoping to be bailed out. Gates says Jones kept him waiting for two hours, and then in the space of ten minutes curtly refused to take over Learjet for $1 plus sundry debts.

That rejection was about the best thing that ever happened to Gates. Educated at MIT and Stanford, he is, despite the casual clothes he favors, a tough and disciplined manager, as skilled in finance as he is in hunting elk.

Gates turned for help to his friend Combs. Together they replaced the Learjet dealers with a direct-from-the-factory sales team. That plus some modest design changes to its planes started Learjet on a dramatic ascent. Within a year Learjet was in the black and its sales were approaching $60 million. By 1976 they were at $172 million. In its fiscal year ended this April, Learjet grossed $351 million and earned $13.3 million.

Today Learjet boasts a $1 billion-plus order backlog that should enable it to fly unscathed through this recession.

Charlie Gates' original investment in Learjet paid off handsomely, but what about those other diversifying moves? All quite logical, says Gates, explaining that he sought faster growth in things like farming and trucking than seemed possible in rubber. Trouble was, truckers and farmers alike soon figured Gates was competing directly with them and retaliated by threatening to boycott equipment containing his rubber products. So Gates sold out almost as quickly as he had bought in. Mutual funds? "That was when I was really in my gunslinger days," chuckle Gates, who today manages $600 million.

As it turned out, Gates' fears about a slowdown in growt were unfounded. Since 1973 Gates Rubber has easily dou bled its volume to around $600 million. If Gates Rubbe hardly qualifies as a household name it's because most of it products are sold to manufacturers and dealers rather tha directly to consumers. With 13 domestic and 9 oversea plants, Gates Rubber is the world leader in hoses and in V belts. Invented in 1917 by John Gates, Charlie's uncle, th V-belt remains the most efficient system of power trans mission, and Gates is the largest producer. Gates Rubber i no longer in tires, having wisely liquidated that operation i 1973 almost two years before the debacle in radial tires.

As a private company Gates Rubbe doesn't reveal its profits, but a goo guess at the bottom line: around $3 million. There's more to Gates, too real estate and the A Bar A, perhap Colorado's poshest dude ranch. Th whole operation, counting the aircraf company, will probably gross $1 bil lion in 1980, ranking it among the 3 largest private companies (FORBES *June 23*). "We would probably be a $3 billion-to-$4 billion company today, remarks Gates almost offhandedly, " I thought it would be more fun to g the public route, and parlay some ac quisitions and mergers."

Is that a hint? An intensely privat man, Charlie Gates rarely talks to th press. So why has Gates invited FORBES reporter this morning to walk past the elephan tusks gracing his door and enter his otherwise modest offic atop what was once a factory for Ford Model T cars? We pu the obvious question.

"No," replies Gates thoughtfully. "We're not interested i selling our stock." No need to, he explains. Control of th rubber company is held in a family trust that will last a least 50 years after Gates' death. The rubber company own two-thirds of Learjet's stock. A possibility, he acknowl edges, would be to merge Gates Rubber and Gates Learje and use Learjet's stock for further acquisitions. There's als the question of succession; Gates calls himself a hands-o manager, but the years are passing. His son is an architec and refuses to join the business. Harry Combs is 67 an spent much of the past year writing an impressive biogra phy of the Wright brothers.

A sign of how slim top management has become: Learje last July reached out to Australia to sign B.S. (Bib) Stillwell 52, a former racing car champion, as its top marketing ma and possible replacement for Combs. Having a more broadl traded stock might attract top-notch outside management.

Charlie Gates was born in 1921 in the back of the famil car near Morrison, Colo. as his parents raced at 60 mph t the hospital. In a sense he's never slowed down. Makes yo wonder what old man Gates was thinking when he advise caution to a son like that. Gates just smiles and says: "Yo must admit, for cocktail conversation it's a helluva lot mor fun to talk about executive jets than V-belts."—*P.G.*

© 1980 Time Inc. All rights reserved Photographed by James Drake

caling the corporate heights—with America's Sports Newsweekly

rporate advertisers like AT&T, ARCO, Bethlehem el, General Motors, Goodyear, IBM, ITT, ckwell International, TRW and Texaco all use ORTS ILLUSTRATED for different reasons.

But one vital thing that all these companies have common is the discovery that serious advertising s serious attention in SPORTS ILLUSTRATED's rate, timely, colorful environment. These compa- s, and more like them, realize that SPORTS LUSTRATED makes it possible for them to reach a ge audience of upscale readers—decision- makers, siness leaders, the informed public—when such ders are responsive and absorbed in the world sports.

And, indeed, the world of business and the world of sports have much in common: performance, achievement, teamwork, excellence. No wonder, when it comes to the important business of mixing business with pleasure, more and more companies have turned to America's Sports Newsweekly.

For more information on corporate advertising in SI, call or write Bob Kohansky, Corporate Advertising Manager, (212) 841-2841; Sports Illustrated, Rockefeller Center, New York, NY 10020.

Sports Illustrated

16,000,000 readers buy what's in it.

GRUMMAN IS GEARED U
TO HELP AMERIC

Grumman is in the trans
portation equipment busines
With efficient buses and truc
that use less energy to move
people and products.

A COMFORTABLE BUS THAT'S
A FUEL-SAVING PEOPLE-MOVER.
AN IDEA WHOSE TIME HAS COME.

During the 80's, Ameri
will need 60,000 new transit
buses to replace aging fleets
and expand mass transit sys
tems. The Grumman Flxible
870® will help to meet this ne

DD 6,000 BUSES A YEAR.

thousands of new comfort-
lightweight buses rolling
ır production line every

VEIGHT, DURABLE
NUM TRUCK BODIES.
HER IDEA WHOSE TIME HAS COME.

Grumman has built more
120,000
inum truck
es since
rst model
31. Tough
nman aluminum
s carry greater payloads
consuming less fuel.
every Grumman truck is

engineered and tested to comply with all applicable Federal Motor Vehicle Safety Standards. Some 30-year-old Grumman aluminum truck bodies are still in service today—having been remounted on as many as six chassis. Not surprising when you consider that the aluminum resists corrosion and doesn't rust or rot.

"NO GAS"
ELECTRIC TRUCKS.
ANOTHER IDEA WHOSE TIME HAS COME.

Grumman expertise in building fuel-saving aluminum truck bodies is being applied to the development of "workhorse" delivery vehicles for the petroleum-short decades ahead.

A prototype Grumman electric truck for the stop-and-go delivery service market is being tested at our Sturgis, Michigan, plant.

For more about Grumman's involvement in the business of energy-efficient transportation equipment, write:
Grumman Corporation,
Dept. GCP,
Bethpage, New York 11714.

GRUMMAN

50 years

It's no disgrace to find your company's name on the following lists. Some of these stocks will be big winners in the next 12 months.

Loaded laggards

Statistical Spotlight

COUNT DRACULA would have loved these lists. While everyone else is off chasing oil service stocks and defense stocks, he would have his pick of an ever-lengthening list of ghoul's gold—stocks worth far more dead than alive. While it's no rarity in this undervalued stock market for a stock to be selling around book value, how can you sneer at discounts from book of 60% and more?

Think like Dracula for a moment. They used to call it tombstone-watching. Do you really have to worry much about the immediate prospects of the boating industry when you can buy $3.02 worth of Outboard Marine assets for every dollar you invest? Now look at it over time. Back in 1971 you would have gotten only 11 cents' worth of Jewelcor assets for every dollar you invested in that stock. But today you would be buying $3.32 in assets.

It's no secret that when discounts from book value are that steep they tend to attract tender offers. In October, for example, swimsuitmaker Jantzen was selling at a book/price ratio of 1.73—roughly 60% of book value. A few months later Blue Bell paid out $30 a share for Jantzen, giving Dracula a tidy 94% gain on his investment.

What does the Count tell his broker to look for over there in Transylv Three things. First, a stock selling below book value—say at least a b price ratio of 1.79 or higher. Second to be on the safe side, the compan to have positive net working ca And third, to be safer still, it has to been in the black for the past 12 mor

That gives you a list like the first t Most of the companies on this list sell for less than net working ca current assets minus all debt and ferred stock. They are worth more than alive even if their plant and e ment are worthless.

If you're as discriminating about ghoul's gold as Dracula can afford to this market, there's a further test gives you a reading of a company's tive health: the ratio of total debt unfunded pension liability to cash In other words, how fast can the pany liquidate all its debt and unfu pension liability with its cash f When you're tombstone-watching tend to think in such drastic terms it's a useful guide. By this me Springs Mills could knock out its de just a year and a half, whereas it w take unfortunate Bobbie Brooks ove years to do the same thing.

You may well ask: Who wants to around with this ghoulish stuff? Wh stick to oils and golds and gam stocks—where the live action is? answer is in the table on the opp page; it shows some big winners our Oct. 15, 1979 list of undervalue curities. Quite a number did handso in a stock market that, on balance, nowhere.—*Steve Kichen*

Loaded laggards

All of these companies are priced at 50% discount or more from their book values. Ghoul's gold?

Company	Book value per dollar of stock price	Recent price	Book value per share	Book value per dollar of stock price: range 1970-79	Price range 1970-present	Latest 12-month earnings per share	Present P/E ratio	Net working capital per share	Net working capital per dollar of stock price	Average earned on net net worth 1970-79	Total debt + pension liability/ 1979 cash flow[1]	Indica yiel
Jewelcor	3.32	3⅝	$12.04	5.31–0.11	37⅞– 1⅜	$0.51	7.1	$ 4.07	1.12	14.3%	17.3	—
Sheller-Globe	3.09	5⅝	17.42	2.52–0.25	32⅛– 3⅞	0.15	37.5	1.74	0.31	10.7	6.5	5.3
Outboard Marine	3.02	10⅜	31.41	2.89–0.33	60⅝– 8⅞	0.30	34.6	14.13	1.36	11.0	6.6	6.7
Cunningham Drg Strs	2.80	8⅞	24.86	7.30–0.90	16½– 2¾	1.24	7.2	13.85	1.56	3.0	1.4	4.5
Salant	2.76	15¾	15.91	4.17–0.60	13½– 2⅞	0.80	7.2	12.18	2.12	9.7	16.8	7.0
Springs Mills	2.61	15	39.21	3.79–1.55	20⅞– 8¼	4.07	3.7	19.31	1.29	5.4	1.5	8.0
American Motors	2.60	5⅜	14.01	3.80–0.66	13⅜– 3¼	1.23	4.4	6.11	1.14	0.8	3.8	—
Questor	2.60	5½	14.34	4.15–0.54	21½– 2⅞	0.73	7.5	5.76	1.05	5.2	5.0	3.6
Bobbie Brooks	2.52	3⅛	7.89	7.15–0.35	21½– 1	0.23	13.6	4.39	1.40	–5.9[2]	146.6	—
Triangle Industries	2.51	8⅝	21.66	3.17–0.93	20⅝– 6⅜	1.85	4.7	10.09	1.17	3.6	7.1	4.6
Wurlitzer Co	2.51	7⅝	19.17	7.20–0.99	19⅞– 2	0.03	NM	9.04	1.19	1.8	17.0	—
Phillips-Van Heusen	2.49	11⅝	29.02	5.76–0.73	26½– 3¾	2.35	4.9	15.81	1.36	5.3	7.0	5.2
Helene Curtis Ind	2.44	6¾	16.51	4.47–0.42	11½– 2	1.22	5.5	11.43	1.69	4.4	3.3	—
Oxford Industries	2.36	9⅝	22.72	2.99–0.52	34 – 7	1.86	5.2	15.42	1.60	14.5	2.5	7.9
Cluett, Peabody	2.34	8⅝	20.19	5.65–0.47	27⅛– 2½	1.80	4.8	12.27	1.42	6.9	3.9	7.9

[1]Cash flow: Net income plus noncash charges of depreciation, depletion and amortization, less preferred dividends.
[2]Figure shows only nine years' worth of data. NA: Not applicable. NM: Not meaningful.
Sources: Standard & Poor's; Value Line; FORBES.

y	Book value per dollar of stock price	Recent price	Book value per share	Book value per dollar of stock price: range 1970-79	Price range 1970-present	Latest 12-month earnings per share	Present P/E ratio	Net working capital per share	Net working capital per dollar of stock price	Average earned on net net worth 1970-79	Total debt + pension liability/ 1979 cash flow[1]	Indicated yield
ent of Amer	2.31	5	$11.58	2.63–0.22	18⅞– 2⅜	$1.08	4.6	$6.37	1.27	13.6%	3.8	5.6%
orp	2.18	13¾	30.11	2.64–0.55	37 – 9⅛	4.39	3.1	15.17	1.10	9.2	2.3	5.5
Chef	2.18	6½	14.22	4.36–0.28	29⅜– 2½	1.09	6.0	5.35	0.82	9.4	8.1	4.9
	2.18	3¼	7.10	2.47–0.13	24⅝– 2½	0.37	8.8	3.57	1.10	11.9	4.5	—
ıgwear	2.17	14	30.38	2.61–0.65	38¾– 9¾	1.47	9.5	19.16	1.37	7.6	9.8	8.6
Corp	2.11	13¾	29.12	3.31–1.02	20½– 6⅞	1.88	7.3	14.60	1.06	7.4	5.2	6.5
Drug	2.08	3⅜	7.03	2.86–0.11[2]	26¾– 1⅜[2]	0.62	5.4	4.55	1.35	13.2[2]	4.6	1.2
haffner Marx	2.05	12⅜	25.41	3.93–0.49	32½– 4⅞	2.56	4.8	17.22	1.39	8.0	1.9	8.1
isconsin	2.02	23¼	46.97	3.67–0.82	42¾–10	5.08	4.6	58.25	2.51	9.1	NA	8.1
of Fabrics	2.00	4⅜	8.76	2.31–0.14	29⅞– 3⅜	0.49	8.9	4.44	1.01	12.5	2.2	4.6

ow: Net income plus noncash charges of depreciation, depletion and amortization, less preferred dividends.
hows only nine years' worth of data. NA: Not applicable. NM: Not meaningful.
Standard & Poor's; Value Line; FORBES.

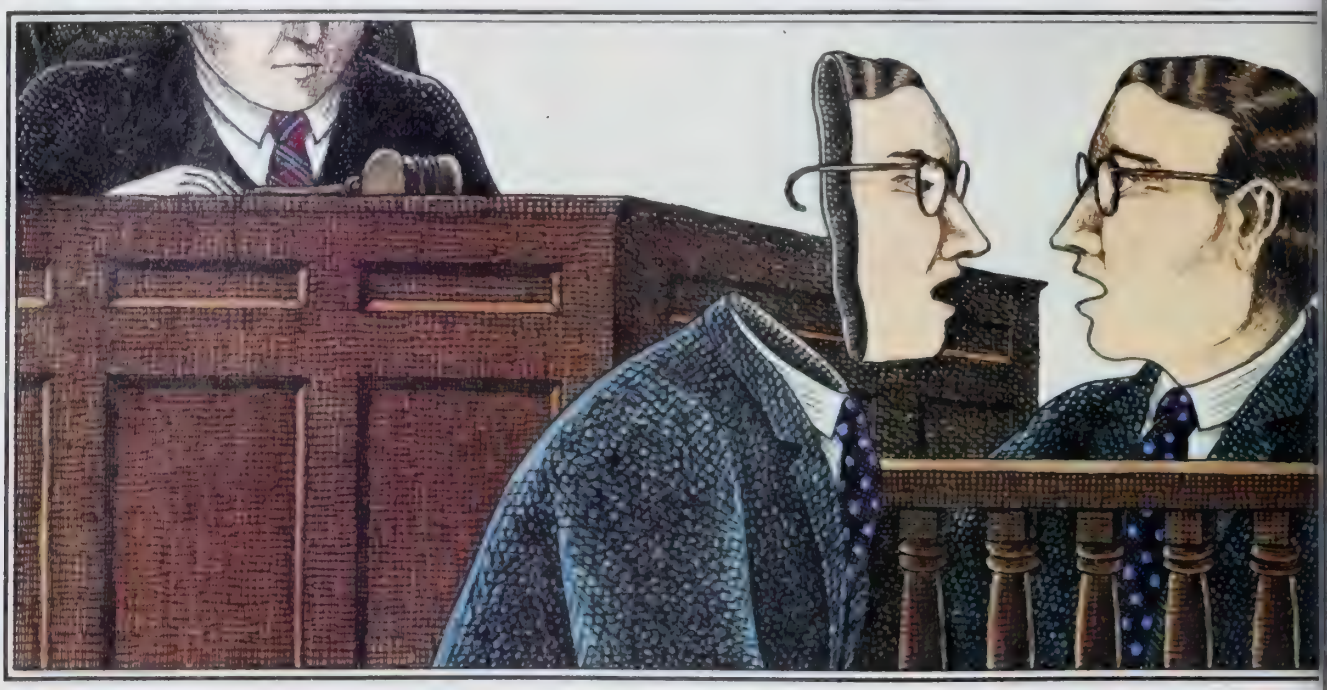
Testing Benjamin Graham

late Benjamin Graham thought one sure sign of a ain was a stock selling for less than working capital. October we listed 191 companies that met this criterion. Between then and now, 5 of the 191 are unchanged, 118 are down an average of 21% and 68 are up an average of 32%. Below, 35 stocks that rose 21% or more.

any	Appreciation	October 1979 price	Recent price	October 1979 net working capital[1] per dollar of stock price	Recent net working capital[1] per dollar of stock price	Latest 12-month earnings per share	P/E ratio
merican Industries	145%	1⅜	3⅜	1.08	0.68	$0.61	5.5
Electronics	142	3	7¼	1.73	0.89	1.53	4.7
Andrews & Forbes Group[2]	100	4⅛	8¼	1.68	0.02	0.96	8.6
en[3]	94	15½	30	1.43	—	—	—
Consumer Products[4]	91	5⅞	11¼	1.08	—	—	—
osystems	75	4	7	1.26	0.81	1.17	6.0
ey Electronics	67	1½	2½	2.13	1.25	0.43	5.8
hall Industries	67	8⅝	13¾	1.08	0.74	2.03	6.8
r Aviation[5]	65	3¼	5⅜	1.88	0.91	0.45	11.9
raze Corp	65	5	8¼	1.37	0.92	1.19	6.9
way Industries	58	9	14¼	1.01	0.79	2.95	4.8
Corp	57	14	22	1.18	0.81	5.30	4.2
de Electronics[6]	56	8	12½	1.91	1.33	0.69	18.1
Photo	55	2¾	4¼	1.47	1.28	1.33	3.2
cer Cos	52	4⅛	6¼	1.97	1.24	0.72	8.7
wood	52	3⅜	5⅛	1.36	1.17	1.19	4.3
ematica	46	6½	9½	1.02	1.34	1.38	6.9
ea Radio	45	4⅛	6	1.27	0.88	0.58	10.3
Ann[7]	44	8	11½	1.42	—	—	—
onal Silver Industries	41	4⅞	6⅞	2.15	1.56	0.25	27.5
and Industries	41	2¾	3⅞	1.39	0.89	0.34	11.4
Allen & Co	39	4½	6¼	1.48	1.31	1.63	3.8
anta[8]	33	7⅛	9½	1.35	—	—	—
nreich Photo-Optical	32	9⅝	12¾	1.19	0.78	d4.05	neg
m-O Mfg	32	4¾	6¼	1.20	0.89	3.05	2.0
ot Retailers	31	2	2⅝	2.07	1.26	d0.42	neg
on Mills	31	18⅛	23¾	1.19	0.93	4.28	5.5
erick's of Hollywood	31	3⅝	4¾	1.09	0.93	1.03	4.6
istle Co	30	2½	3¼	1.14	0.99	d0.25	neg
ne-Gossard	30	5	6½	1.39	1.03	d0.67	neg
ie Products	27	8¼	10½	1.34	1.24	2.33	4.5
ommun	25	15¾	19¾	1.20	0.97	4.16	4.7
ycrafts	22	5¾	7	1.23	1.10	0.43	16.3
e D Depts	21	3½	4¼	1.49	1.29	1.07	4.0
n Metal Manufacturing	21	9¾	11¾	1.49	1.14	1.38	8.5

working capital = current assets minus all liabilities and preferred stock. [2]Cohen-Hatfield Industries acquired MacAndrews & Forbes and then changed any name to MacAndrews & Forbes Group. [3]Acquired by Blue Bell @ $30 per common share. [4]Acquired by Shelter Resources Corp @ $11.25 per non share. [5]Name changed from Family Record Plan. [6]Company in process of liquidation; name will be changed to REI Liquidating Corp. [7]Comtendered for its shares @ $11.50 per share; outstanding shares now listed with Pacific Stock Exchange, but stock has not been traded. [8]Public trading of any halted 6/18/80; company paying $9.50 per share for all shares in hands of public. d: deficit. neg: negative.

Curbing Lega



Some clients dissatisfied with their lawyers' services are taking their complaints to the courts – putting tremendous strains on the defending attorneys' time and financial resources.

A brief review by INA of an insurance topic of interest to business executives.

Partially because few members of the bar would participate in an action against a fellow attorney, lawyers were once considered almost immune to professional liability suits. But the tide of rising public expectations, which drew national attention with unprecedented numbers of suits against doctors, is now making malpractice a growing hazard of the legal profession.

Compared with a decade ago, aggrieved clients are suing two and a half times more frequently and are demanding much higher sums as compensation. Although the average loss actually incurred by defending lawyers is not known, the upper limits are clearly rising. Recently an Ohio jury awarded $2.35 million in a legal malpractice case, which is believed to be the nation's largest such verdict to date.

Broadly speaking, legal malpractice encompasses negligent acts and omissions on the part of the attorney, including breaches of fiduciary obligations and contracts, as well as intentional wrongs committed as a professional. But beneath this formal definition lie some simple human failings.

The most frequently cited single cause of legal malpractice is the failure to meet statutory or court procedural deadlines. Half of all malpractice claims arise either from missing these deadlines or from other administrative errors and omissions.

Big claims from little oversights

For example, a suit for damages is barred by a court because the attorney failed to note that the applicable statute of limitations expired two weeks previously. The client sues the attorney for the full amount of the damages alleged.

Or two partners in a law firm, defending a product liability case, misplace and inadvertently fail to offer into evidence a report, one of dozens of documents involved. The defendant loses the case. Learning of the oversight and believing that the misplaced report was crucial, the defendant sues both the lawyers and their firm for malpractice.

In these two cases, as in malpractice actions generally, more than monetary losses are at stake. The defending lawyers are also sub-

Malpractice Claims

ected to great stress and worry, the oss of valuable time, and damage o their professional reputations. Yet both cases were clearly avoidable through loss control – which, vith insurance, is one of two essenials for protection against malractice today.

At the heart of any malpractice revention system is a simple rule: nake a record and make it accessile. The aim is to eliminate a potentially crippling dependency on ne memories of attorneys and staff nembers who might leave the rm, become ill, or simply forget ates or misplace crucial information.

Beyond loss control

Even effective loss-control, owever, cannot prevent those nalpractice suits alleging faulty egal counsel or errors of fact or udgment, which, in actions inolving securities issues for intance, can result in multimillionollar claims. For this kind of suit - indeed, for protection against all uits, including those that surface espite every precaution – legal malpractice insurance has become a necessity.

Professional liability policies for lawyers can vary considerably in coverage, so that careful selection is advisable. Some features in particular are worth examination.

Coverage of defense costs

Perhaps most important is a provision detailing the extent of legal defense. If an insured lawyer or firm is faced with a lawsuit involving a covered claim, legal defense costs in excess of the deductible should be paid in addition to the liability limits of the policy – proportionately, where the claim payment exceeds the limit. In other words, defense costs should not be "charged" against the policy's liability coverage, which would have the effect of reducing overall liability protection.

Other worthwhile policy provisions include coverage of prior acts and omissions for which claims are made during the current policy period, provided the insured had no knowledge of those acts at the time the policy was issued; and a reasonable interpretation of the word "claim" to include a report to the insurer of a matter likely to result in a future claim.

A legal liability policy of the kind described here is offered by INAX, an INA company. In addition, INA can provide specialized loss control services to attorneys and their firms.

Comprehensive services

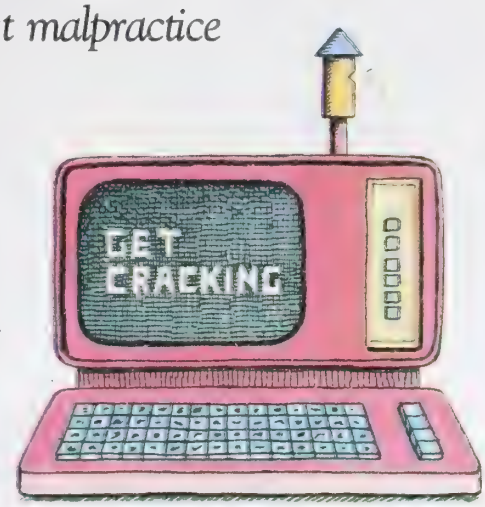
Recognizing and meeting complex needs, such as those of professionals for liability protection, typifies INA's comprehensive approach to increasingly sophisticated insurance and risk management problems.

The Insurance Company of North America was founded in 1792 in Independence Hall, Philadelphia. Today it is the largest component of INA Corporation's international network of insurance, financial, and health care interests. In property and casualty insurance and risk management services, life and group insurance, health care management and financial services, INA and its affiliated companies offer a unique combination of products and services to business and industry worldwide.

For an informative booklet on professional liability protection for lawyers, write INA, Dept. R, 1600 Arch Street, Philadelphia, PA 19101.

vest weapon against malpractice

a law-office monitor of mal-
e pitfalls – particularly for
firms – a mini-computer can be
beat.
addition to providing updated
ation and warnings on dead-
court dockets and attorneys'
ars, a computer can be pro-
ed to recognize and signal con-
f interest and other potential
breeders.
ch computerized information
made available swiftly at a ter-
to any staff member authorized
ive it.



INA
The Professionals

Faces Behind The Figures

Grinning and bearing it

Richard J. Ferris, president and CEO of UAL Inc., was a proponent of airline deregulation back in the days when his competitors were reacting to it like rabbits hypnotized by a cobra. Now Ferris has his wish. He also has a bloody rate-cutting war on his hands, courtesy of deregulation and touched off by the entry of Eastern Air Lines into the New York-to-California run, the industry's most important domestic route.

With their one-way tickets going for as little as $99 over the last few months, the nation's top four carriers—UAL, Eastern, American and Trans World—have been losing money on every coast-to-coast flight. For Ferris, it could hardly have come at a worse time. UAL lost $73 million last year because of a 58-day strike, the DC-10 grounding and soaring fuel costs. In this year's first quarter, the nation's largest airline lost another $40 million, or $1.37 a share, and had to suspend its 25-cent quarterly dividend.

So what does Ferris think of deregulation now?

"When we did our route plan two years ago," he told security analysts in New York late last month, "we predicted there would be a period of excess capacity, industry irrationality—and bloodletting—for a couple of years after deregulation. But I guarantee you this: The harsh realities of the free market will bring back discipline so damn fast it will make your head spin."

By discipline, Ferris means two things: upgrading his fleet's fuel efficiency and paring off unprofitable routes. UAL has bought 76 new Boeing 727-200A series jets over the last four years to upgrade fuel efficiency, but at an awesome price: almost $1 billion. As for unprofitable routes, UAL's new network dropped service to 11 cities across the country. New York to California? "You'll have to take me out of that market feet first," vows Ferris. "We'll protect it to our dying breath."—*Jeff Blyskal*

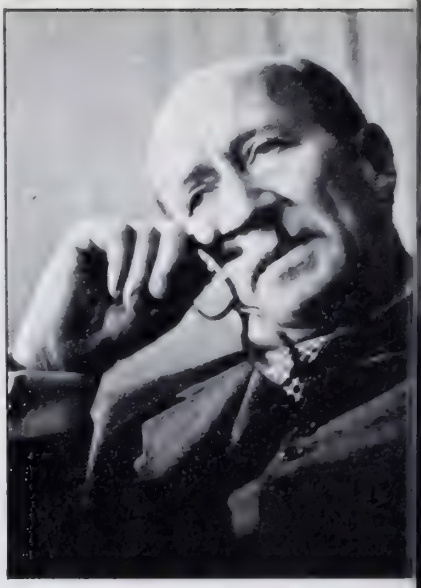
Ferris of UAL Inc
Just because you see it coming doesn't make it easier to take.

One rung to go

One of eight children of a New Jersey appellate court judge, Thomas G. Labrecque decided as a sophomore at Villanova University that he wanted to be a banker. He joined Chase Manhattan as a management trainee in 1964 and zipped through the ranks. Ten years later he was named executive vice president and head of the treasury department, where he was a key member of the team that restructured the Chase after its earnings debacles of the mid-Seventies.

Last month he mounted the next-to-last rung of the Chase ladder, when he was named vice chairman and chief operating officer under President and Chief Executive Willard C. Butcher. Butcher is just 53 and Labrecque a ripe young 41. After years of uncertainty as to who would run the bank when David Rockefeller finally retires early next year, the new team now seems firmly in place.—*Ben Weberman*

First Chicago Director Heineman
A pariah no more.



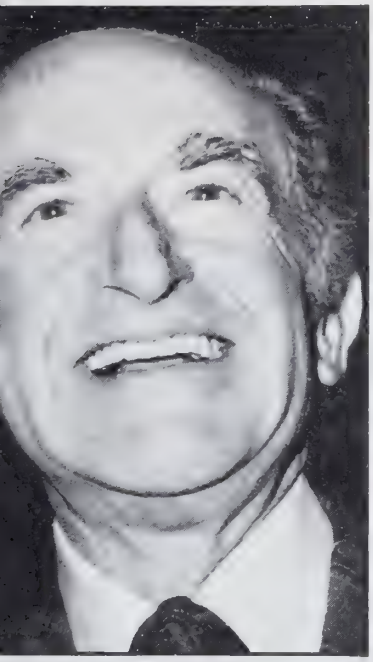
Headhunter

An unlikely headhunter, Northwes' dustries' Ben W. Heineman spent better part of two months searching new boss at First Chicago Corp., ov of the nation's ninth-biggest bank sets, $30 billion). The task fell to He man, 66, after he and fellow board m bers had ousted the bank's talented abrasive chairman, A. Robert Abb Heineman found that top-level h hunting involved a good deal of tr "Some candidates didn't want to be with me in Chicago," Heineman sai never felt like such a pariah." He fo his quarry in Barry F. Sullivan, a C Manhattan executive vice president apparently had been passed over for

Chase Manhattan's Labrecque
Everything in place.

r two spot at the nation's third-
bank *(see preceding)*. With Sulli-
First Chicago's CEO, Heine-
s now back to full-time at
vest Industries, the onetime rail-
at he built into one of the na-
top conglomerates and that
as though its having another
ear in spite of a mildly down
arter.—*Lisa Gross*

Guess who



First Charter
the saddle again.

way of living dangerously, it
is to be anointed heir-apparent to
Taper, the 78-year-old chairman
Charter Financial Corp. of Los
, parent of the nation's third-larg-
ngs and loan.
month the revolving door whirled
William Popejoy, 42, abruptly re-
16 months into a new 5-year,
00-a-year contract as First
's president and chief operating
Popejoy, president since 1974,
longer than most. One former
nt lasted only 70 days. (For 8 of
18 years, Taper hasn't even both-
th a president.)
nce again, Taper, well-known for
ifornia charitable activities (in-
the highly regarded Los Angeles
l theater that bears his name), is
alone. One of the last of the big-
alifornia S&L admirals still at the
e is known widely, and envious-
is tight-fisted rule: First Charter's
s-to-gross-revenues ratio is a
.5%, compared to 10.5% for its
al competitors. Even so, earnings
billion in assets tumbled 44%
the first quarter's interest-rate
sions. Now, with interest rates
California's $90 billion plus S&L
mortgage market should be showing signs of life any day. Perfect timing and perfect staging for the "indispensable" man.—*Ellen Paris*

They learned how here

Here's a bit of irony: Many of those stylish, fuel-efficient Toyotas and Datsuns stamped "made in Japan" are the handiwork of designers trained right here in the U.S.

Pasadena, Calif.'s Art Center College of Design, perched on a hill above the Rose Bowl, has turned out over half the auto designers now working in Detroit. It is also the alma mater of many of the chief designers in Tokyo and in the design centers Japan's major automakers have set up in southern California.

"After World War II, Toyota sent students to study here for one year," says Don Kubly, 62, Art Center's president. "These students became top designers when they went back to Tokyo." Nissan and Honda were not far behind.

Side by side with their American counterparts, the Japanese are guided through the intricacies of manufacturing techniques, as well as arcane subjects like "anthropology as related to vehicle seating." Top designers from Detroit like Keith Teter, who headed Ford's Maverick design team and is currently a consultant to Nissan Motor Corp. U.S.A., are on the faculty. Students this term also are learning advanced design techniques from David Stollery, who designed the Toyota Celica.

The college covers 95% of its operating costs from the $1,600 tuition it charges, but Detroit automakers gave a lot of money for Art Center's futuristic building, a bridge-like black metal structure spanning a 200-foot canyon; and

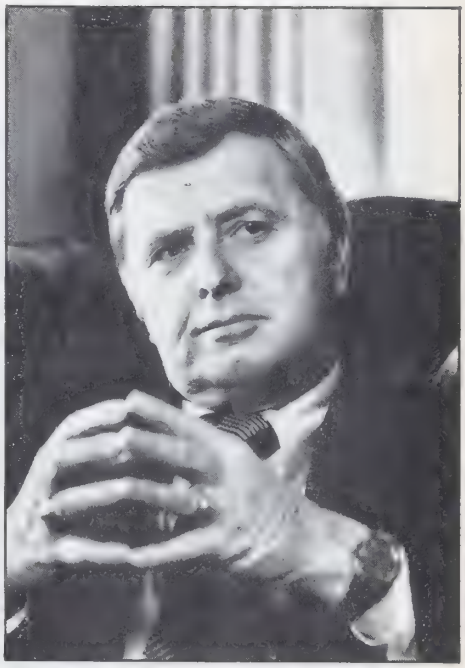
Art Center's Don Kubly
Detroit never showed up.

Ford, General Motors and Chrysler threw in $2 million of the $10 million it cost to move to the current site in 1976.

All but one of the eight students who graduated in May ended up with a Japanese or European company. Detroit never showed up with an offer, Kubly says.—*Kathleen K. Wiegner*

A Real bomb

Edward A. Horrigan Jr. has been the top man at Reynolds Industries' R.J. Reynolds Tobacco Co. only since Feb. 1, but he wasted little time in axing RJR's superhyped low-tar cigarette Real, which cost $40 million to introduce three years ago yet never captured even



Horrigan of R.J. Reynolds Tobacco
What's a "natural" cigarette?

half the hoped-for 1% share of the $10 billion U.S. market. "When you have a failure like Real," says Horrigan, "you've gotta be man enough to walk away from it." It also helps if you had nothing to do with it; Horrigan joined Reynolds in 1978.

He blames previous management for failing to recognize that smokers would not be as impressed by Real's "natural" pitch as, say, people who eat brown rice. "There was no consumer need or desire for a so-called natural cigarette," says Horrigan. A black eye for $3.2 billion Reynolds Tobacco, which sells one of every three U.S. cigarettes and has a well-earned reputation as a marketer of branded goods.

So much for Real. Now Horrigan must go out on the limb himself, with Salem Ultra Lights, a 5-milligram-tar spinoff of Reynolds' second most popular brand. The new cigarette will hit the market next month at an estimated introduction cost of $50 million.—*Jeff Blyskal*

Business in the Arts Awards

Forbes Magazine is pleased to join once again the Business Committee for the Arts in cosponsorship of the annual "Business in the Arts" Awards competition. The 46 corporations have been selected from a field of over 300 nominations by our distinguished panel of judges: Florence Knoll Bassett, Barry Bingham, Sr., the Hon. John Brademas, J. Carter Brown, Milton Esterow, David Gockley, Juliette M. Moran, Franklin D. Murphy, The Hon. Virginia Kilpatrick Shehee, Beverly Sills, Oliver Smith and Loet Velmans.

The Business Committee for the Arts, Inc. is a private, tax-exempt, national organization of business leaders created to encourage business and industry to assume a greater share of responsibility for the support, growth and vitality of the arts. For information or descriptions of the award-winning projects, write Barbara Lee Phillips, Awards Administrator, Business Committee for the Arts, 1501 Broadway, New York, N.Y. 10036.

FIRST TIME AWARD WINNERS

American Express Company
New York City

Ashland Oil, Inc.
Ashland, Kentucky

Battelle Memorial Institute
Columbia, Ohio

Canandaigua Wine Company
Canandaigua, New York

Central Carolina Bank & Trust Company
Durham, North Carolina

Cities Service Company
Tulsa, Oklahoma

Clorox Company
Oakland, California

Commerce Union Bank
Nashville, Tennessee

Dallas Times Herald
Dallas, Texas

E.I. du Pont de Nemours & Company
Wilmington, Delaware

First Tennessee Bank of Memphis
Memphis, Tennessee

First Union National Bank
Charlotte, North Carolina

GFI / Knoll International
New York City

International Minerals & Chemical Corporation
Northbrook, Illinois

Robinson's of Florida
St. Petersburg, Florida

Time Incorporated
New York City

The Travelers Insurance Companies
Hartford, Connecticut

Unicover Corporation
Cheyenne, Wyoming

Warner Communications, Inc.
New York City

West Publishing Company
St. Paul, Minnesota

Western Savings Bank
Philadelphia, Pennsylvania

WGIR
Manchester, New Hampshire

RETURN AWARD WINNERS

Allstate Insurance Company
Northbrook, Illinois

Aluminum Company of America & Alcoa Foundation
Pittsburgh, Pennsylvania

American Telephone & Telegraph Company
New York City

Atlantic Richfield Company & Atlantic Richfield Foundation
Los Angeles, California

Bank of America, NT & SA & BankAmerica Foundation
San Francisco, California

CBS Inc.
New York City

The Chase Manhattan Bank, N.A.
New York City

Corning Glass Works & Corning Glass Works Foundation
Corning, New York

Emerson Electric Company
St. Louis, Missouri

Exxon Corporation
New York City

Ford Motor Company Fund
Dearborn, Michigan

General Mills Foundation
Minneapolis, Minnesota

Humana Inc.
Louisville, Kentucky

International Business Machines Corporation
Armonk, New York

McDonald's Corporation
Oak Brook, Illinois

Metropolitan Life Insurance Company & Metropolitan Life Foundation
New York City

Mobil Corporation & Mobil Foundation, Inc.
New York City

Philip Morris Incorporated
New York City

R.J. Reynolds Industries, Inc.
Winston-Salem, North Carolina

The Rouse Company
Columbia, Maryland

Security Pacific National Bank
Los Angeles, California

Shell Companies Foundation, Incorporated
Houston, Texas

Southeast Banking Corporation
Miami, Florida

Wachovia Bank & Trust Company
Winston-Salem, North Carolina

WOMAN, CAT AND YARN

1979 AWARD / ARTIST WILL BARNET

Now, we're importing capital.

American business used to fill nearly all of its need for capital from profits and the sale of common stock.

Today, we tax away profit, drive off U.S. investors with capital gains assessments, and drive up the cost of borrowed money by rampant deficit spending.

So, many businessmen have started to turn to imported capital to keep their businesses going. More than $310 billion according to the government.

The second largest grocery chain company. Two of the oldest radio and television manufacturers. One of New York's largest daily papers and four of its oldest department stores. The largest producer of Alaskan oil. All with major ownership or control by foreign interests. Interests which have quadrupled in the last 10 years.

Yet why does this rush to "buy America" continue at a time of double digit inflation and record trade deficits? Because foreign investors realize that America's commitment to free enterprise is still strong, and that America is the biggest, most homogeneous and most receptive market in the world.

When will we remember how to utilize this marvelous economic machine ourselves? Or are we dedicated to milling about until we all become tenants in our own land?

A new Gradall G-660 excavator assists wi street repairs in Timonium, Maryland. Tl contractor used versatile Gradall excavato for initial land clearing and then to bui streets, storm drains, sewers and sidewalks

WARNER & SWASEY

Productivity equipment and systems in machine tools, textile and construction machiner

© 1980 THE WARNER & SWASEY COMPANY Executive Offices: 11000 Cedar Avenue, Cleveland, Ohio 44106

recession will still be there after the con-
ions, giving Congress powerful incentives
ack away from the inflation fight.

Beware politicians bearing numbers

ONEY & INVESTMENTS

emature easing of credit or use of pending to bring the country out of would negate all efforts to cool the and cut the inflation rate." Apr. 28, 1980

dict the euphoria will fade fast, pres- l mount on Congress and the Presi- stop the pain and businessmen will he chorus. The nation is approach- l test of will—in this case, the will to ution." FORBES, Nov. 12, 1979

E PROSPECT of using federal pending to pull the economy out f recession, spoken of in these April as something devoutly to ded, looks more and more likely. t of Washington's will to keep on inflation even as economic dis- ounts, foreseen here last Novem- arrived, along with reason to fear shington will fail the test.

presidential candidates are doing st to look bombproof on the infla- sue. Ronald Reagan's advisers sitioned him as responsible—fa- not only a $36 billion tax cut next cluding help to business through epreciation writeoffs) but spend- s as well. President Carter is for too, only . . . not now, Treasury y Miller assures us, but later.

while, the 1981 federal budget clearly out of balance by at least ion to $20 billion because of the n. How much bigger the deficit will depend not only on the depth gth of the recession but on the to which Congress backs away s concern with inflation and unemployment its overriding . Realists can make a persuasive at under election-year pressures cit in the next fiscal year (begin- t. 1) could rise massively, to per- 0 billion.

If Congress should lose its nerve, about the only countervailing pressure in sight will not be the White House but the Federal Reserve. If, say, Congress passes big tax cuts to stimulate consumer spending, thereby adding to the deficit, it's the Fed that must decide how much of that deficit it will validate—that is, how much money it will create through its traditional monetary tools of open market operations (the purchase of U.S. Treasury securities) or a reduction in reserve requirements against bank deposits. Board Chairman Paul Volcker would face tough choices. If he does not add to the money supply, he will force private borrowers to compete with the government for what money there is. If he does add to it—by following an easier credit policy than he might prefer—he will acquiesce in reviving inflation pressures.

The U.S. economy will get no help from the developed countries of Europe and Japan as the Congress tests its will *(see chart)*. The struggle of less-developed countries to pay for energy imports and to meet massive debt service requirements will take a heavy toll on exports of Germany, Japan and other industrialized countries. The major industrialized countries will have to undergo credit and inventory adjustments. The process will be long, extending into 1981.

The recession will be there when congressmen return from the conventions, providing powerful incentives to back away from the inflation fight—"cut the budget, but not in my district."

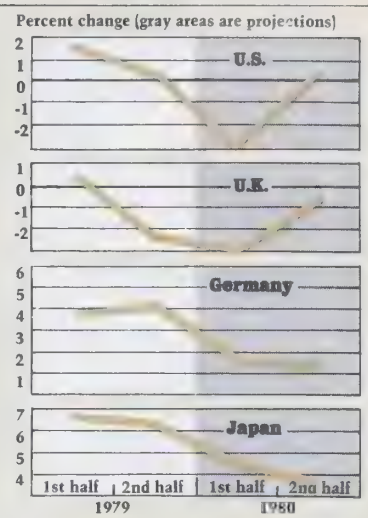
In the issue of Aug. 20, 1979, FORBES cautioned: "The election period is going to be one of great danger for the U.S. economy. The politicians will be looking for an excuse to hand consumers a tax cut. To justify it, they will use selective statistics, argue that inflation has come down and claim that the dollar has strengthened. Beware of politicians who spout statistics."

Almost one year later, the need for that caution is all too clear. ■

Bad news, good news

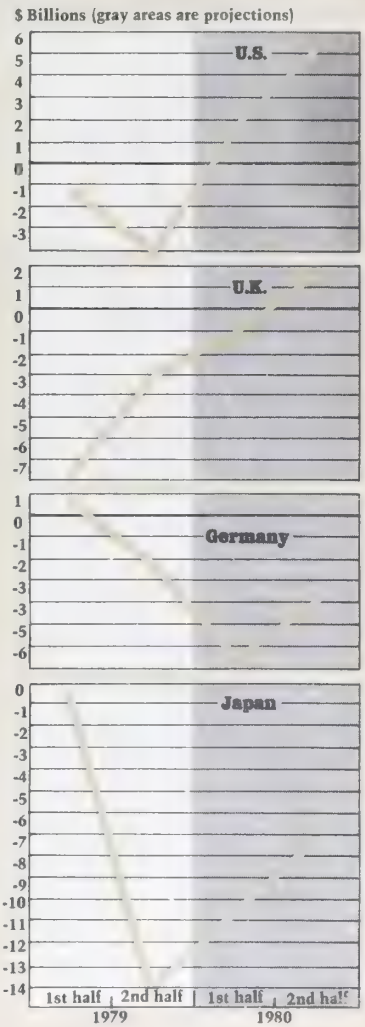
Other developed countries aren't likely to help us out of recession. Our recovery is likely to start first.

Real GNP (seasonally adjusted)



Thanks to relatively strong trade, the dollar should be able to hold its own.

Current account BOP (seasonally adjusted)



Source: Organization for Economic Cooperation and Developement, December 1979.

Bankrupt railroads and tottering auto companies can be good investments—if you know where to look and how to look.

SOME CALL IT JUNK

By Ben Weberman

WHEN MONEY market funds were paying 16% in April and long-term Treasuries 12.5%, there wasn't much interest in so-called junk bonds. Who needs low-quality goods when prime merchandise is on the bargain counter? But with interest rates well down, it may be time to look at bonds of relatively low quality that yield exceptionally high returns in either interest or potential capital gains or both.

There are quite a number of bonds issued by now-bankrupt railroads that may turn out to be quite profitable if bought at current prices.

Frank Laird of Elkins, Stroud & Suplee of Philadelphia is one of the small number of reorganization specialists who has been poring over railroad balance sheets for 53 years; he is 69. Laird likes the Reading 3⅛s of 1995, selling, as this is written, at 68½. Each holder of a $1,000 bond would receive a new $1,000 bond carrying an 8% coupon and a maturity of 1988. For accrued unpaid interest you get $176 of a 10% bond due in 1985. In addition you get $58 in cash. The new 8% bond, he thinks, should sell between 75 and 80.

Then there are the Penn Central reorganization A and B issues, both maturing in 1987 and, due to pay interest beginning next April, at 7% The As sell around 90, and Bs in the low 60s. Most of the A bonds have already been retired at par out of proceeds from sale of assets and most of the rest will be retired this November; after that there will be only $40 million still outstanding out of an original $200 million. The last of these bonds will probably be paid off by the end of 1981 out of cash realized from additional sale of property belonging to the defunct railroad.

More interesting from a speculative point of view are the Penn Central Bs. From the vantage point of his long career at analyzing this type of bond, Laird regards them as a "lead pipe cinch" to be paid off at par by maturity. He thinks the company will get at least $1 billion from the government in return for its expropriated properties as against the $500 million the Feds want to pay. If he is right, the B bondholders will get 100 cents on the dollar—a 66% capital gain.

If you want to shoot craps a bit more, Laird points to the Penn Central preferred B. If he is right about Penn Central getting a good settlement from Uncle Sam, the preferred, now selling at $7, will be paid off at $20. In the meantime, however, there's no interest or dividend.

Laird thinks there are similar values in defaulted bonds of the old Erie and Lehigh Valley railroads. These issues include a set of Erie bonds such as Morris & Essex 3½s of 2000 selling at 31; Erie 3⅛s of 2000 at 36 and twin New York, Lackawanna & Western securities, the still outstanding 4s of 1973 and the 4½s of 1973, both priced at 16. The reorganization trustee says that his program is on schedule and could be in final shape by January 1981. If so, a good payoff is likely.

The Lehigh Valley securities are of much higher grade. They all sell for about 67 to 70 cents on the dollar of par value. The debt is secured by high-quality real estate and the cash value may well be realized before the end of this year. There are Lehigh Valley 4½s of 1974, the Lehigh Terminal Railroad 5s of 1979, the 4⅛s of 1989, the Lehigh Harbor Terminal bonds. All will be paid off at par.

Where can you follow these issues? In the biweekly Moody's Railroad news supplements or the daily Standard & Poor's Corporation Records at your broker's. Bear Stearns still fo lows the bankrupt rails as does Elkin

If bankrupt railroads sound too o scure, the bargain hunters among yo might take a look at the senior debe tures of Chrysler Financial Corp.

Norman Johnson, an analyst wi Paine Webber Jackson & Curti keeps track of the Chrysler Financi situation. Even if the parent compar goes under, he sees little possibili that the senior debentures could get trouble. He adds up all of CFC's co sumer accounts receivable and a sumes that only 90 cents on the doll could be collected. Then he looks the funds held in escrow again claims on dealers and takes only 6 cents of the dollar for that portio Enough value remains to assure inte est and principal payments on the s nior debentures, he says.

Chrysler parent company debe tures such as the 8s of 1998 sell 42⅛ for a current yield of 19% and yield to maturity of 20%. These a risky to say the least. Nevertheles you can earn a current 14% plus p tential capital gain by buying subsi iary Chrysler Financial 9s of 1986 66 with a yield to maturity of 18%.

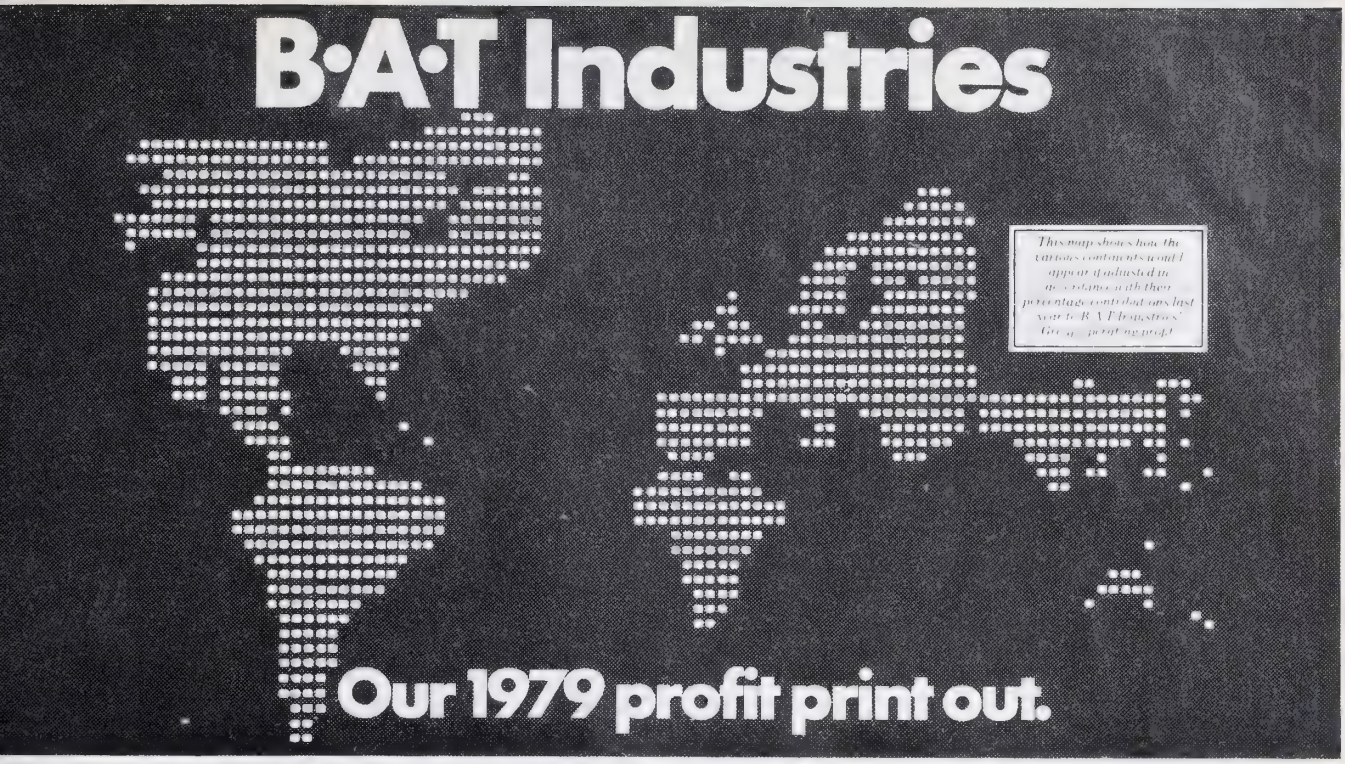
What about the newly market $500 million "fully guaranteed Chrysler Corp. 10.35% notes due i 1990? While the official documen place great emphasis on the "full fait and backing" of the U.S. governmen few realize that Congress has *not* a propriated funds to back the issue Chrysler defaults. If Chrysler doe Congress would have to vote th money and this would take time. would much rather hold a Treasu note due in 1990 paying 9.7% and n depend on the action of some futu Congress.

If the idea of earning high intere by compromising on quality appea to you, but you don't have the time t do your own research, you might co sider the Fidelity Aggressive Incom Fund, which yields 15% today. Sinc the start of this year, its size h grown from $69 million to $105 mi lion; Fidelity invests in such issues a Gelco Corp. 14⅝s of 1999 yieldin 14.92%, Intermark 11⅞s of 1999 sel ing to yield 13.75%, Humana 11.7 debentures due 1998 to yield 13% an Zapata Corp. 10¼s of 1997 priced t yield 13%.

As interest rates decline, and mo money pours into tempting low-qua ity issues, their prices will almost ce tainly rise. But they offer opportunit for those willing to do some hom work and take a bit of a gamble. ■

Ben Weberman is economics editor of FORBES *magazine*

B·A·T Industries



Our 1979 profit print out.

Group operating profit of £525 million up by 4% on turnover of £7,228 million.

Sterling translation affected turnover adversely by £407 million and operating profit by £35 million.

Tobacco volume increased; with improved turnover and trading profit in local currency terms.

U.S. retailing activities continued their upward trend, while in the U.K. International Stores returned to profitable trading.

Both the Wiggins Teape Group and Appleton Papers turned in excellent results.

Mardon Packaging International turnover was 20% higher.

acts from the Statement made by the irman, Peter Macadam, at the T Industries A.G.M. on 20 June:

ıce again our results as reported in ling belie the achievements of many ır overseas subsidiaries. I feel we be reasonably pleased by your ıpany's overall performance in what ved to be difficult trading ditions . . .

ıdy progress was achieved by our ıcco interests with sales volume easing overall by 2.5%. Profitability roved in the United States, as did ɔrt sales, but Brown & Williamson's e of the U.S. domestic market was ginally lower. Significant gains were rded by our subsidiaries in ezuela, the Argentine, Indonesia, g Kong and several other countries I am encouraged by the improvement imbels' performance and by the inued progress made by Saks Fifth nue and the Kohl Corporation during the year. B·A·T Stores Holdings' results benefited substantially from the contribution of Argos. While International Stores traded profitably during the 15 months, we cannot yet be satisfied with overall performance . . . Our paper interests' sales and profitability have continued to increase. Comparing 1979 and 1978, profits grew by 31% on a turnover which was 23% higher . . . The Mardon Packaging Group also had a good year . . . While the turnover of British-American Cosmetics rose by 12% in sterling terms, operating profit remained unchanged at £6 million . . .

I expect increased operating profit overall but any forecast is bedevilled by the volatility of currencies and the near impossibility of foreseeing what rates will be ruling at the close of the financial year . . . if present rates apply at the end of the year, results will be adversely affected . . . With interest rates reaching almost unprecedented levels, I expect the Group interest charge for 1980 to increase and also the effective rate of tax so that attributable profit may fall just short of the level achieved last year . . . It is extremely difficult to predict the impact of the emerging recession but I am confident that we are well placed to meet what lies ahead and to take full advantage of the eventual economic recovery".

Results Summary
(calendar year)

	1979	1978
	£ millions	
Turnover	**7,228**	6,844
Operating profit	**525**	505
Profit before taxation	**443**	435
Net profit attributable to B·A·T Industries	**245**	226
Dividends per share (net)	**17.5p**	15.0p

ɔacco
Group is the world's ɛest private enterprise ıcco manufacturer. A Tcigarette is the market ler in 36 countries.

Retailing
Interests include International Stores and Argos in the U.K. and Saks Fifth Avenue, Gimbels and Kohl supermarkets and department stores in the U.S.A.

Paper
Wiggins Teape and, in the U.S.A., Appleton Papers manufacture carbonless papers and a wide range of other speciality and high-grade printing papers.

Packaging and Printing
Mardon Packaging International became a wholly-owned subsidiary of B·A·T Industries in November 1979. It is Britain's second largest packaging and printing group.

Other Trading Activities
These include the manufacture of floor coverings, blinds, room dividers, and shower cabinets, as well as perfumery, cosmetics and skin-care products.

ɔpies of the Report and Accounts and the full text of the Chairman's speech at the Annual General Meeting are available from the Company Secretary at:

·T Industries Limited · Windsor House · 50 Victoria Street · London · England

Though it is difficult to see at this time how or why our economy should emerge from its slump so quickly, it could be that the stock market is indicating an upturn.

A BRIEF RECESSION?

By Heinz H. Biel

DOES IT not seem paradoxical that stock prices should have gone up as much as they did this past spring while the economy was deteriorating rapidly and predictions for the months ahead were getting gloomier and gloomier? Yet, we have learned from the history of previous recessions that stock prices start rising well before a recession hits bottom. The present upturn is already in its fourth month. It would be unusual for the stock market to anticipate the recession low by much more than eight or nine months, which has been the pattern in the six previous post-World War II recessions. Right now it would seem to require a miracle for this recession to end before the turn of the year.

Miracle or not, it is a distinct possibility that the instinct of the stock market may prove to be right, though it is difficult to see at this time how or why our economy should emerge from its slump so quickly. It *could* happen, I believe, even without artificial stimulation. Already certain factors are at work that may speed up the recovery process.

Most important, in my opinion, is the steep decline in money rates and the more moderate decline in long-term interest rates. This was not due to any deliberate action by the Federal Reserve, which merely eased its foot off the brake, but did not pump up the money supply.

It should not take very long before adequate amounts of mortgage money become available at more tolerable interest rates. The same goes for consumer credit, especially auto loans, where credit costs proved prohibitive. Emergence of the crucial construction and automobile industries from their present deep slump could very well trigger a general upturn of business in general.

I don't expect the stock market to have clear sailing all the way. After a 128-point rise in the Dow, a great many stocks are no longer on the bargain counter. Furthermore, we are likely to see some perfectly gruesome second-quarter earnings reports and the next two quarters may be as bad, if not worse. To be sure, much of this had been discounted by the low prices last March, but today's prices are no longer as low as they were then. In any case, bad corporate news may prove at least a psychological, albeit temporary, hurdle.

Energy stocks, I suppose, will continue to dominate investment portfolios to a greater degree than ever before. Many of these stocks are back at their highs of last February, when a burst of speculative enthusiasm lifted all of them skyward—the good ones as well as some others. If you must pay attention to income, the international giants, *Exxon* (68) and *Royal Dutch* (86) yielding 7.6% and 7.2% respectively, are well suited.

On the other hand, if you don't have to squeeze the last percentage out of your investment, I would give preference to oil companies with relatively large domestic reserves, which will benefit most from the decontrol of oil prices by October 1981. I particularly like *Marathon Oil* (63), which also has other promising irons in the fire, specifically the North Sea, and *Standard Oil of Indiana* (60) with its huge holdings of undeveloped, but promising leases in the U.S.

Mobil (73) has been on my investment *buy* list for many years. It has been most rewarding, but so have others, for instance, *Standard Oil of Ohio* (50), not to mention some Canadian oil stocks. Mobil appears to have an extraordinary potential offshore Newfoundland, the extent of which mains to be confirmed.

Rising prices for oil and gas and t threat of potential shortages, if a other Near East crisis should interfe with the flow of oil from OPEC. ha greatly stimulated the search for ad tional sources. Obviously, the drilli companies have a bonanza at har and they are getting paid regardless whether the hole is dry or productiv This is not exactly news as far as W Street is concerned, and the two co panies I favor, *Parker Drilling* (49) a *Helmerich & Payne* (62), are not exact bargains. However, future earnin growth is quite predictable and t projections are impressive, so th present high earnings multiples w become less forbidding. The san goes for *Schlumberger* (118), the t quality company in the oilfield servi business.

On the other side of the mark spectrum are, of course, the stocks companies most deeply affected l this recession—housing, automobil and various manufacturing industrie The timber stocks already have reco ered somewhat, but I would still p some money into *Louisiana Pacific* (2 and buy it more aggressively on worthwhile setback.

There can be no doubt that *Ford* (2 will severely slash, conceivably eve omit, its third-quarter dividend. If t stock should break, don't be afraid buy it. This is not the end of the wor for Ford, and before long it will ha smaller cars to sell. *Dana Corp.* (21 the partsmaker, suffered a seve earnings decline in its latest fisc quarter (ended May 31), from $1.41 share to 49 cents. Still, I do not thin that its $1.60 dividend rate is in jeo ardy. This is a good company.

In the previous issue I commente on three superblue chips (Johnson Johnson, Minnesota Mining an Procter & Gamble), which are no selling at affordable prices and whos growth and profitability are as good ever. I should like to add *America Express* (35). Deservedly enjoying e ceptional prestige, the stock alwa commanded a very high multiple. T day American Express sells at a me 6.5 times estimated 1980 (recor earnings of $5.30 and yields 5.7% Why? Partly because a major acquis tion plan went awry and partly b cause there will be greater compet tion in the traveler's checks fiel However, while the company seem sure to lose market *share*, total *volum* is likely to continue to increase. Th is a good, sensibly priced stock. ■

Heinz H. Biel is a vice president of the NYSE firm of Janney Montgomery Scott.

NOW CARLY SIMON HITS A NEW NOTE ON CBS RADIO

nging star Carly Simon ushers in a ew kind of special on the CBS Radio etwork.

"Between The Lines: Carly Simon" a fascinating 20-part interview ith one of today's top recording rtists by popular Los Angeles man-bout-music Christopher Ames.

"Between The Lines: Carly Simon" ith Christopher Ames will be eard on CBS Radio Network affiliated stations Saturday and Sunday, July 19 and July 20 (or during the week of July 21-25). Please check local listings for time and station in your area.

Tune in. It's radio in a beguiling new summertime key.

BETWEEN THE LINES: CARLY SIMON ON THE CBS RADIO NETWORK

THE DINES LETTER

Special ½ Price Trial Offer!!

Written by James Dines, "The Original Goldbug" based on his being the first Wall Street Security Analyst to consistently recommend gold at $35.

In late 1968 **THE DINES LETTER** predicted a long and bitter bear market (concealed by the bloating effect of inflation) together with gold soaring from $35 to the $250-$400 area. **THE DINES LETTER has never stopped recommending gold and silver.** At this critical juncture, we simply want you to see **THE DINES LETTER** and we will not let price be an obstacle! So, we've cut our regular "trial package" price of $10 in half to $5! What harm could be done by merely examining a pro-gold point of view not found in Forbes? **THE DINES LETTER** specializes in gold and silver. No math or special knowledge required.

If your present sources of advice are negative on precious metals, maybe it's time to get a different point of view. Let **THE DINES LETTER** explain **"The Coming Gold Crisis and The Invisible Crash."**

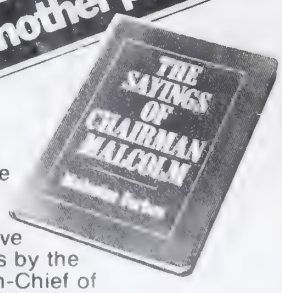
Your subscription will include a copy of both Dines Model Long-Term Precious Metals Portfolios recommended very strongly for immediate purchase. Send no messages. Merely forward this ad with your name, address and $5 in U.S. funds for a 2-issue trial to Dept. J70M2. Do it now—we don't advertise in Forbes very often and you might not catch our next ad. Offer expires in one month (Sorry, no refunds.)

THE DINES LETTER
P.O. Box 22, Belvedere, CA 94920
(Not assignable without your consent)
(NY residents, please add applicable sales tax)

"You can easily judge the character of others by how they treat those who can do nothing for them or to them."

—from The Sayings of Chairman Malcolm

Yet another printing!



For the complete volume of 530 perceptive thoughts by the Editor-in-Chief of Forbes Magazine, send $7.95 in check or money order, plus $1.00 for postage and handling, to Harper & Row, M.O. No.1235 KK, 10 East 53rd St., New York, N.Y. 10022. Please add applicable sales tax.

Discounters may someday find themselve in the lucrative position of underwriter.

DISCOUNT BROKERS AND NEW ISSUES

By Srully Blotnick

WHEN the commission on securities transactions was deregulated on May 1, 1975 and the path was cleared for discounts to be offered to the public, it was not the old-line, full-service firms that offered them. New firms had to come into existence to take advantage of the opportunity that decontrol had created. These firms, several of which have grown quite big, have already attracted the business of one in seven of the investors in my sample.

The fact that investors had to switch firms in order to avail themselves of the new, lower commission schedules may have been a nuisance for them, but it made it easier for me to see what kind of investors were interested enough to make the move.

At first there was a great deal of reluctance. February 1977: "The firms seem too small to me," said one investor. June 1978: "I'm going to wait a little," said another. "When they're bigger, and better established, I'll go." October 1978: "I want to shop around," said a third, "and see which one offers the deepest discount." By January 1980 all three of these investors had made the switch.

The majority of investors, of course, have not transferred their accounts and continue to do business at the same places and at the same high (or even higher) prices they've always paid. What's really interesting, though, is the character of the investors who have already made the switch, when contrasted with those who haven't.

Dr. Srully Blotnick is a practicing psychologist and author of Getting Rich Your Own Way *and* Winning: The Psychology of Successful Investing.

Those who moved to discou brokers react more quickly than th counterparts who stayed put. For stance, although on average they h less cash per capita sitting in savi accounts, as interest rates soar these individuals were more th twice as likely to become custom of money funds. Moreover, they ma the move weeks and even mon faster than the customers of full-co mission firms.

Another difference is that the c tomers of discount brokerage fir are more securities oriented. That they have a larger portion of th total investment capital tied up stocks. As a result, they're well formed. They scored significan higher on a 45-item test of gene economic and financial informati which has an important impact the outlook for their investments.

A third difference is especially i portant: The typical customer o discount brokerage firm is 3.2 tin more likely to be willing to play n issues than is the typical customer the full-service firms.

Two crucial implications foll from these facts. The first is that d count brokerage firms are actua skimming off the cream: They attracting a very active collection customers, potentially big trade They are also building a potentia hot market for new issues for the n time the stock market goes into d of its periodic new-issues cycles.

During the late 1960s, new und writers came into existence to sp out new issues. For the most pa these were shabby, undercapitali firms run by inexperienced amateu They were created for the sole p pose of peddling and promoting n issues in response, it should be not to rabid customer demand. (One p ticularly crooked executive at suc company, now defunct, told me at t time: "I'm not flimflamming anyo Look, they're beating down my d to buy my junk.")

hat may happen again, of course, there will be an important new or in the game this time around: ounters who suddenly find themes in the lucrative role of underers, with a captive customer base at their fingertips. Of course, the ounters will have to make some stments.

uick & Reilly is one of the first largest in the discount brokerage ness. Its boss, Leslie Quick, told "We wouldn't *want* to call our 00 customers. The old, high-pres- way of selling new issues isn't for or for our customers." After conring the matter for a moment, he d: "Perhaps by mail. We could ide a description of a forthcoming issue. Then, if our customers it, they could call us. We're well pped to handle calls coming *in*. e not structured to make 70,000 *out*. The whole matter of unritings clearly requires further ideration."

e head of another discount broge firm made similar comments. e put it: "Early on, we realized we could handle every bit as h business as the big retail firms nd we could do it with far fewer le. The key was that customers d have to call us, not the other around. The main reason fullmission firms are so large is that *need* all those customer reps to the bushes for business. They'd e if they just sat there and waited e phone to ring, as we do.

hat makes it harder for us to parate in the sale of new issues to public, but one way or another do it if it seemed worthwhile."

wever, failure to get into new s could cost the discount houses of their best customers. In past ds, whenever the market was dowell enough for initial public offerto become plentiful, substantial bers of investors gravitated to that could get them in on the nd floor. Excluding those investors were badly burned in new issues ime, the majority of those in my le who are new-issues prone have ated that they once again would h firms to get their allotments.

there is a hidden but growing pool nture capital waiting to be tapped. ay require some changes in the of operation of discounters, but rofit opportunities would seem to the trouble worthwhile. A sugon for businesses looking to raise ey: Why not talk to your friendly, nborhood discount broker? ■

100% TAX-FREE BONDS ARE BACK. SO IS QUALITY.

IT'S HIGH TIME.

HIGH TAX-FREE YIELD TIME.
Investors who are looking for tax-free* income and believe short-term rates have peaked should consider Fidelity Municipal Bond Fund.

HIGH TAX-FREE INCOME FROM A QUALITY PORTFOLIO OF LONG-TERM BONDS.
Fidelity Municipal Bond Fund seeks high tax-free income from a portfolio consisting primarily of A or better quality bonds.

What's more, investors also enjoy the following advantages:

- ☐ No Sales Charge.
- ☐ Daily Tax-Free Income.
- ☐ Convenient Liquidity.
- ☐ Automatic Reinvestment.
- ☐ Full-Time Professional Management.
- ☐ $2,500 Minimum Investment.

CALL FIDELITY. IT'S HIGH TIME. CALL FREE (800) 225-6190
In Mass. Call Collect (617) 523-1919

FIDELITY MUNICIPAL BOND FUND
35

P.O. Box 832, Dept. JB 072180
82 Devonshire St., Boston, Mass. 02103

For more complete information, including management fees and expenses, please write or call for a prospectus. Read it carefully before you invest or send money.

Name
Address
City State Zip

Fidelity Group — Over $7 billion of assets under management

*A portion may be subject to state or local taxes.

TAX FREE BONDS.
Ask the man who owns them.

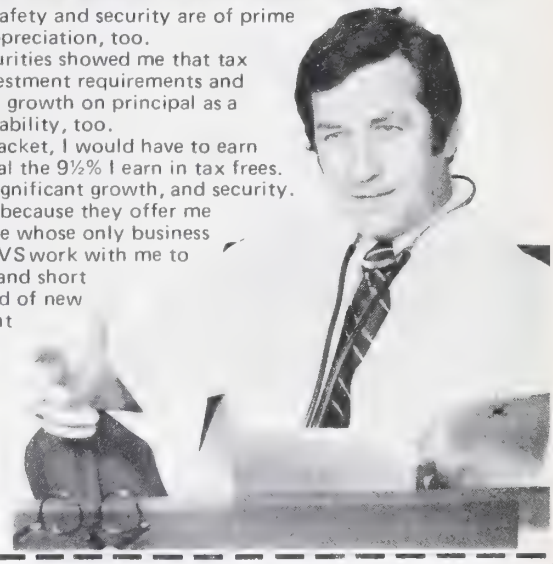
"I know what I want when I invest. Safety and security are of prime importance. But I need guaranteed appreciation, too.

"The specialists at Multi-Vest Securities showed me that tax free municipal bonds meet all my investment requirements and more. With tax frees, I get guaranteed growth on principal as a strong hedge against inflation. I get stability, too.

"And because I'm in a 50% tax bracket, I would have to earn 19% in some other investment to equal the 9½% I earn in tax frees. They give me good current income, significant growth, and security.

"I deal with Multi-Vest Securities because they offer me the full service and expertise of people whose only business is tax free bonds. The specialists at MVS work with me to develop a portfolio that fits my long and short term needs. And they keep me advised of new investment opportunities that are right for me. I know I can count on them to understand my investment goals, and to find the surest way to achieve them."

For the full story on the ways tax free bonds can work for you, talk to the specialists at Multi-Vest. It's their business to know.



MVS
Multi-Vest Securities, Inc.
Municipal Bond Specialists
63 Wall Street New York NY 10005
212-425-0366
Outside N.Y. State call: 800-221-5136

☐ I'd like to have your brochure "Tax Free Bonds for the Individual Investor."
☐ I currently own tax free bonds. What can Multi-Vest do for me?

Name
Address
City State Zip

Member NASD SIPC

Forbes
Classified
appears in
the first
issue
of every
month.
Look for it
in the
upcoming
issue.
For rates
and other
information
on FORBES
CLASSIFIED
call
Sarah Madison
(212) 620-2371

**Forbes:
Capitalist
Tool**

Have you soured on buying stocks of ne companies? Then ponder carefully the fo lowing venture capital information.

THE WINNER

By Thomas P. Murphy

A COUPLE OF YEARS ago Stanley E. Pratt, 48, took over the venture industry's $365-per-year magazine, *Venture Capital Journal*. With it he inherited a list of 100 publicly traded companies whose commonality is original backing by venture capitalists. The idea behind the list, I guessed, was to give the venture people some notion of how their kinds of companies were faring in the stock market.

Pratt, however, thought there might be more to it than that. His idea: Convert that list to an index. After all, it was really a sample of sorts of the venture process itself. It had the potential to answer some vital questions about venture capital. Does venture investing really create companies that flourish over a long period of time? Will the public buy stock in the companies? Did the public do well when it bought stock in small companies that were originally backed by venture capitalists? Or were the canny venture capitalists selling their companies to the public after the bloom was off?

The answers to these questions have important implications for anyone interested in the stocks of smaller high-technology companies and for the institutional investors who are now betting hundreds of millions of dollars that venture capitalists can really give them a good return on their dollar. Are the odds of winning in this game good? Or are the players bemused by the random bounces of the roulette wheel's ball, which obscures a losing game?

To create his index, Pratt brought in a friend, an investment advi whose forte is more conventio stocks. At his office in Welles Hills, Mass., he and his staff worl on it for months. One of the proble they had was figuring out a way remove from the list companies t had failed and disappeared or w merged out. Another was finding exit from the list for companies t had been public so long that t could no longer reasonably be scribed as being influenced by vent investors.

The former problem was e Since Pratt's index deals in percent changes, taking one company off adding another made no differer The latter problem—how long to k companies on the list—was hand arbitrarily. After 12 years in the pul market, a company was remo from the index.

Pratt's list dates from Dec. 1972. That choice was somewha matter of convenience since the p lication's records are fuzzy bet that. "It turns out to be a g choice," Pratt says, "because it st the list at a fairly high point in market and takes it through a sh recession." About 90% of the com nies on the list are high-technol companies.

What Pratt's list discloses is fa nating. On average, the venture c ital-backed companies have done perbly in the stock market, wh really means that they have done v as businesses.

In the time Pratt measures, D 31, 1972 through Mar. 30, 1980, Venture Capital 100 Index w from 100.0 to 324.1. In that sa time span, the S&P's 500 has l value—it dropped from 118.05 102.09. So did the Value Line Co posite—from 114.05 to 106.80. I pressing logic only a little to say t high-technology companies t were good enough to get vent backing in the first place and f underwriters later on, have made

Thomas P. Murphy heads a venture capital firm, Partnership Dankist, Stamford, Conn

jor growth area of the stock
et for years. The irony is that
y anyone realized it.
it is the good news from Pratt's
. The bad news is that the 1974-
cession revealed how vulnerable
smaller, growth companies are
severe market downturn. From
to the end of 1974, the S&P's
id 46%, the Value Line Compos-
as down 57%. But the Venture
al 100 dropped 70%. It faltered
early this year, but moderately.
at this means is that the buyers
ck in these kinds of companies
o have nerve and financial stay-
ower. Market values can almost
bear in a recession and prices
so plummet if the company hits
gh patch.
e remarkable growth of the in-
lso obscures something impor-
It is measuring 100-plus compa-
nd the dead were buried with-
unerals. It is mathematically
nable to substitute a new com-
for a fallen warrior, but that
't improve your personal index
if you owned stock in the
. These are not, in other
, companies you mortgage the
to buy even though your per-
Digital Datawhack, Inc. looks
sure winner in a crowded race.
esults Pratt uncovered reflect a
ified portfolio of winners and
where winners were bigger
losers. "This kind of invest-
Pratt says, "is disciplined, long-
investing."
re is another irony in all this.
ndex also shows that the public
s a lot more money out of ven-
apital investments than venture
lists make. That is true because
ecent years only the better com-
s have gotten into the public
et. The venture capitalists have
their failures and cope indefi-
with their never-quite-make-it
anies.
sider the implications: The in-
flects ventures that made it to
ublic marketplace. The Venture
al 100 Index shows a compound
h rate of 20.5% a year. This is a
return that compares well with
venture capitalists aim for in
ps. So, overall, it would have
just as profitable to buy these
re-backed companies in the pub-
arket as to go through the ag-
of running a venture capital
ess. The public has not come out
d best.
re is some justice in this
■

This announcement is neither an offer to sell nor a solicitation of an offer to buy these securities. The offer is made only by the Prospectus.

New Issue / June 20, 1980

3,000,000 Shares

USLIFE CORPORATION

$2.25 Convertible Preferred Stock, Series D

Each share is convertible into .870 of a share of Common Stock of USLIFE Corporation (equivalent to $28.75 per share), subject to adjustment under certain conditions.

Price $25 Per Share

plus accrued dividends, if any, from date of issue.

Copies of the Prospectus may be obtained in any State in which this announcement is circulated only from such of the undersigned as may legally offer these securities in such State.

E. F. Hutton & Company Inc.

Blyth Eastman Paine Webber Incorporated

Lehman Brothers Kuhn Loeb Incorporated

Bache Halsey Stuart Shields Incorporated | The First Boston Corporation | Bear, Stearns & Co.

Dillon, Read & Co. Inc. | Donaldson, Lufkin & Jenrette Securities Corporation

Drexel Burnham Lambert Incorporated | Goldman, Sachs & Co. | Kidder, Peabody & Co. Incorporated

Lazard Frères & Co. | Merrill Lynch White Weld Capital Markets Group Merrill Lynch, Pierce, Fenner & Smith Incorporated

L. F. Rothschild, Unterberg, Towbin | Salomon Brothers

Shearson Loeb Rhoades Inc. | Smith Barney, Harris Upham & Co. Incorporated

Warburg Paribas Becker A. G. Becker | Wertheim & Co., Inc. | Dean Witter Reynolds Inc.

SOME SERIOUS NOTES ON MOVING.

By Victor Borge

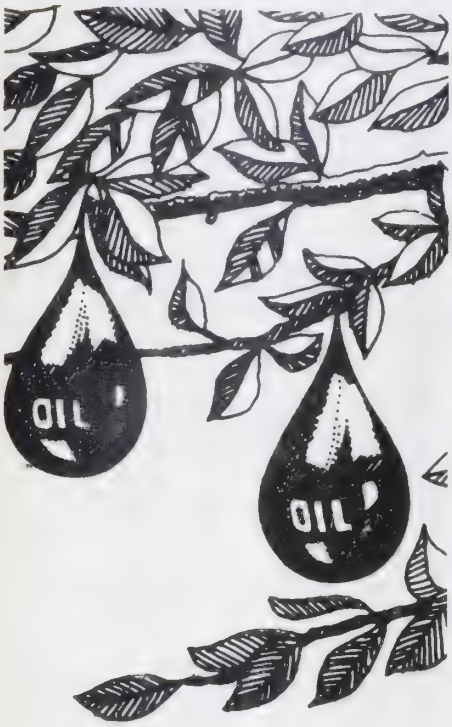
When you move, make sure your mail arrives at your new address right after you do.

The key is this: Notify everyone who regularly sends you mail one full month before you move. One last serious note. Use your new ZIP Code.

Don't make your mail come looking for you. Notify everyone a month before you move.

© USPS 1980

REMEMBER IT DOESN'T GROW ON TREES



ENERGY CONSERVATION -
IT'S YOUR CHANCE
TO SAVE, AMERICA

Department of Energy, Washington, D.C.

Many of the numbers used to make inves ment decisions are useless at best. Co flipping is just as helpful and less work.

WHY INVESTORS REPEAT ERRORS

By David Dreman

A BRANCH of psychology for which Herbert Simon won the Nobel Prize in economics several years back has fascinating implications for investors. It deals with how people make economic decisions. The conclusions would not make Adam Smith or his most vociferous contemporary followers—the efficient market bunch—leap for joy. The work clearly shows that men and women are scarcely the economically rational creatures of dusty textbooks.

Simon's studies help to explain some particularly curious patterns of investor behavior that have puzzled market observers over the years.

Item: Why have investors always flocked into the hottest performing mutual funds in spite of the fact that detailed statistics show conclusively that the hot fund at any one time often scorches new buyers? Fred Mates was the top fund performer in 1968 and almost at the bottom of the heap in 1969. The Enterprise and Manhattan funds, although bright performance meteors for a while, also cost investors dearly.

Item: Why do so many people succumb to the favorites of the day—most often after spectacular runups? History shows that this is precisely the wrong time to buy.

Item: Why do investors rush to buy investment advisory services with one or two good market calls to their credit? Sure, they have swung for the fences and connected, but each week many dozens of services are swinging just as hard. Sheer chance dictates a few will hit several times or m Unfortunately, the overall recor anything but impressive—for ove years the majority of advisory vices have been wrong consiste on every major market move.

Back to decision-making psych gy. It tells us why short-term tre and fashions are so irresistible to vestors. One important principl "The Law of Small Numbers"— developed by Amos Tversky and D iel Kahneman. The two psycholog examined numerous educational psychological journals and found the researchers in any field tende overstate their findings based on small samples. The conclusions w thus often in error because the s ples were inadequate. It's like goin a strange city. The first two pe you see are redheads. You concl that *all* the citizens are redheads.

By contrast, the statistically v "Law of Large Numbers" states large numbers usually are highly resentative of the populations f which they are drawn. For exam public opinion polls normally are sonably accurate because they polled from large, highly represe tive groups. The smaller the data and the shorter the record on h the greater the probability the f ings are mere chance. Tversky Kahneman were amazed at how r ily people, even those well traine statistical methods, could overge alize the validity of small numbe supporting facts and statistics.

This tendency is dangerous in field—in medicine, science, poli It is devastatingly dangerous in stock market. It can lead us to clude, among other things, th money manager is a genius for all sons on the strength of six month good performance. It can persuad that gambling stocks "only go simply because they have been ri day after day for three weeks.

Is there a way then to avoid this of small numbers? Yes. First, it w

David Dreman is president of Dreman Associates, Investment Counsel, New York, and author of Contrarian Investment Strategy *and* Psychology and the Stock Market.

prudent to stay away from those but seductive records of suc- -they're meaningless or worse. flipping is just as helpful and a deal less work.

is much more sensible to buy as determined by large num- -tested financial standards that proven out for investors for long ds of time. For example? There uch dependable old standards as price/earnings ratios, high divi- yields, financial strength, strong ng power, and so on. Stock cho- y such simple guidelines are like- survive and flourish long after ashy small-number guys and gals one.

haps as a twist to the game, the tor might try to use the small ers in his favor. For example, arket has shunned the property- lty stocks, placing them at a sub- al discount to the averages be- it remembers how the group hauled in 1974, 1975 and 1976 by ombination of rate-cutting and cketing inflation. The result was try losses in the billions. The et apparently is anticipating the for this group. Again, a small ers correlation—the evidence of nstance does not constitute an table law.

r one, don't think these stocks re as badly this time. Property- lty managements, after the trau- 1974-76 experience, are much aware of inflation than in the There is not as much rate-cut- s in the earlier period. Finally, es are stronger and investment e has risen substantially, now ing underwriting premiums as a of industry revenue.

ne of my choices here are: Giant line *Travelers*, in spite of ups and s, has managed to increase earn- t an annual average rate of 18% he past decade. It trades at 4 earnings and yields 6.17%. ends have almost doubled in the 4 months and should move up in the year ahead. *Crum & Forster* to be another interesting op- nity in this area. Recently a ver candidate, it trades at a P/E nd yields 4.6%. Well-managed *Casualty*, with an almost 30% of earnings growth for both the and 10-year periods, is priced at s earnings and yields 5%.

be the method is unexciting, atistically it's far safer and more ding than drifting with every g gust of publicity and chasing ephemeral success. ■

Receive 10 weeks of Value Line for $33

This trial subscription is open to you only if no member of your household has subscribed to Value Line in the past two years. We make this special offer because we've found that **a high percentage of new subscribers who try Value Line stay with us on a long-term basis.** The increased circulation enables us to keep our subscription fees to long-term subscribers lower than would otherwise be possible.

Under the special trial offer you will receive the 2000-page Investors Reference Service (illustrated above) at no extra cost. You'll receive all the new full-page reports to be issued in the next 10 weeks on the more than 1700 stocks and 92 industries regularly monitored by The Value Line Investment Survey. **Filing takes less than a minute a week. All this material is so organized in your binder that you can quickly turn to a continually updated report on almost any leading stock.**

Thus you'll find it convenient to have The Investors Reference Service at your fingertips whenever you need facts and figures, as well as Value Line's projected performance ratings on more than 1700 widely held stocks in 92 industries.

In the **Selection & Opinion** section, which accompanies your weekly reports, you'll also get analyses and forecasts of the national economy and the stock market . . . guidance on current investment policy explaining Value Line's bullish long-term position on the securities markets . . . plus Value Line's specific stock selections.

Take advantage of this special introductory offer—and receive, as bonuses without extra charge, the 2000-page Investors Reference Service and the "Evaluating Common Stocks" booklet, which explains how even inexperienced **investors can apply thousands of hours of professional research to their own portfolios by focusing on only two unequivocal ratings, one for Timeliness (Performance in next 12 months), the other for Safety.**

This subscription is tax-deductible if utilized to aid in the management of your investments.

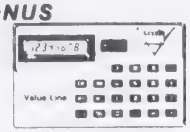
Fill in and mail the coupon below.

The Value Line Investment Survey

Arnold Bernhard & Co., Inc., 711 Third Ave., N.Y., N.Y. 10017

☐ Begin my 10-week trial to The Value Line Survey (limited once to any household every two years) and send me the two bonuses listed above. Check for $33 is enclosed. (Trial subscriptions must be accompanied by payment.)

SPECIAL EXTRA BONUS



A famous-make pocket-size CREDIT CARD/ SUPER SLIM LCD CALCULATOR (with full memory) given to you when you order The Value Line Investment Survey for one year—and send payment now.

☐ 1 year for $330. My payment is enclosed—send me the CALCULATOR as my extra special bonus. (There are no restrictions with this annual subscription.)

☐ Enter my subscription now. Bill me for $330. (Does not include the calculator.)

SIGNATURE

NAME (please print)

ADDRESS APT NO

CITY STATE ZIP

GUARANTEE: If dissatisfied for any reason, I may return material within 30 days for full refund of the fee I have paid. Subscription tax-deductible and non-assignable. Foreign rates on request. (NY residents add sales tax.)

816C21

Diamond International

99th CONSECUTIVE YEAR OF DIVIDENDS*

The Board of Directors of the Diamond International Corporation on June 26, 1980, declared a quarterly dividend of 55¢ per share on the Common Stock and 30¢ per share on the Series A Preferred Stock, both payable Aug. 1, 1980, to shareholders of record July 10, 1980.

*Common Stock

GEORGE PASCALE
Vice President-Secretary

Forest Products • Packaging & Printing • Pulp & Paper • Consumer Products • Building Materials & Home Supplies • Machinery Systems

U.S. Olympic Boycott Medal

honoring **Andrei Dmitriyebich Sakharov**
1975 Nobel Peace Prize Winner

Mint Proof Edition available thru July 31, 1980

A U.S. Mintage
Contains one ounce of pure gold plus silver and copper.

For immediate quote and to order . . .

Call TOLL FREE
800-821-5648

in Missouri Call 816-931-1629
For more information, write
GOLD STANDARD CORPORATION
1129 WEST 41st., KANSAS CITY, MO 64111

Heart Disease
dies with the patient
Huntington's Disease
kills on and on and on.

NATIONAL HUNTINGTON'S DISEASE ASSOCIATION

Suite 501, 1441 Broadway
New York, N.Y. 10018
212-966-4320

It's too early to congratulate ourselves. I five basic areas, the U.S. is still in crisis.

DON'T POP THE CORKS YET

By Ashby Bladen

THE COUNTRY, including the stock and bond markets, is breathing easier now that interest rates have come down so fast. But anyone who thinks the crisis is over simply isn't facing the facts. We are stuck with interest rates that will be historically high, a falling standard of living and probably relatively low prices for most common stocks.

Because we failed to heed the warning symptoms and take prompt action, the U.S. now faces simultaneous crises in inflation; defense; energy; productivity; economic growth. That's quite a list.

Most professional economists have little to say that is helpful to business people and investors. One of the rare exceptions is Sam Nakagama, of Kidder, Peabody & Co. In his latest *Economic Perspectives*, Nakagama makes a rather chilling point, one that most economists seem to have ignored.

He is particularly concerned about the inflationary implications of the fact that wages in the automobile industry continue to rise in the face of disaster. Make no mistake about it, it is a real disaster. In addition to the 300,000 unemployed auto workers that Nakagama mentions, at least as many automobile salespeople and employees of suppliers also have lost their jobs. Conditions in the steel- and automobile-producing industrial heartland of the country are rapidly approaching a depression level.

Yet the pay of people who are still employed in the automobile industry continues to rise. One minor reason for this is that in the short run t people who have been laid off are r hurting very much. Between une ployment benefits and the new fede trade-adjustment assistance, th current take-home pay is being w maintained, although their futu prospects for gainful employme have become highly conjectural. F the main reason for the continui escalation of wages is, of course, t union contract. Conceivably, th could be nobody working under th contract, but the stipulated wa would go up all the same.

Sam Nakagama contrasts this si ation with the experience at To Kogyo in Japan. When that compan Mazda cars failed to sell well, eve body's pay was cut, and the firm s vived. Because of this flexibility, v sus American rigidity, Japanese au production almost certainly will e ceed ours this year for the first tim The Japanese have already captu about one-fifth of the American au mobile market.

The events leading to Detroit's c rent disaster are hardly reassuring the future. After the Arab oil emba of late 1973 and the subsequent hu increase in the cost of OPEC cru Washington insulated the Americ people as long as it could from high prices by price controls on domes production. So we kept buying b comfortable cars until reality caug up with us after the revolution in Ir last year. The auto companies we certainly remiss in not pointing o that we were living in a dream wor but there is no question that the ch culprit was government. Then, a auto company that had, on its ow tried to change things would ha been rewarded with parking lots f of unsalable minicars.

Again, in the Chrysler situati government meddling has put us the wrong track. One of the reaso capitalism provided a rising standa of living was that it cut its losses declining industries, and redeploy

Ashby Bladen is senior vice president-investments for the Guardian Life Insurance Co. of America, and author of How to Cope with the Developing Financial Crisis.

avings in rising ones, thus using
ıpital in the most efficient way.
ıe of the ways in which Britain
: wrong was deciding that nobody
ld be inconvenienced by having
ıove in order to find a new job,
though that meant supporting
lete industries at the taxpayers'
nse. That line of thinking re-
d Britain from the richest nation
e world to the poorest nation in
ıern Europe. A bailed-out
sler will become our own domes-
Sritish Leyland. Chrysler's tank
ıess probably should become a
rnment arsenal; and probably its
efficient plants would be taken
sooner or later by the surviving
ıanufacturers. Chrysler Corp. as a
ıcial entity should have been per-
ed to go bankrupt. That's the way
alism works: weeding out the
, nurturing the strong.

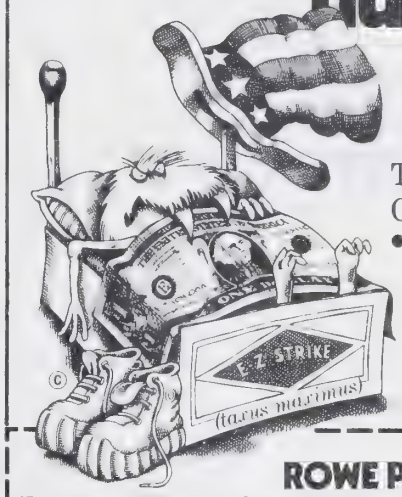
e same kind of government med-
in the economy that has so dam-
the automobile industry is re-
Sible for a good deal of the chron-
ıemployment among teenagers
ninorities. In this case, the prob-
s the minimum wage law, which
lates that employers must pay
people more than they are
h in economic terms. That can
lead to one result: No one will
oy these people. Making it illegal
re anyone for less than $3.10 an
does not raise the standard of
g of people whose efforts are not
ı $3.10 an hour.

ndidate Reagan originally fa-
l doing something effective
t the growing rigidity of Ameri-
vages by repealing the minimum
law. That is obviously the right
to do but unpopular with people
still believe that government in-
ntion in the economy can do
s for us instead of to us. Reagan
ıackpedaled and is now simply
cating a lower minimum wage
enagers.

e of the worst political hypocris-
ı this country is the shedding of
ıdile tears over young school
ıuts who cannot find jobs. Re-
ng the minimum wage law alto-
r would solve the problem just as
it is capable of being solved, and
d also help considerably in reduc-
nflation and restoring the inter-
nal competitiveness of the
rican economy.

are not tackling, have not tack-
the underlying problems of our
ıomic crisis, and so we should not
too much comfort from falling
est and inflation rates. ■

Send your Tax Bite to bed... hungry.



Get your Tax Bite off its feet (and off your back) for a bit of welcome relief . . . with the Rowe Price Tax-Free Income Fund.

Consider these advantages:

- **Tax-Free**—no income tax for the IRS*.
- **No-Load**—no sales charge or redemption fee.
- **Immediate Liquidity**—by calling toll free or simply writing a check.
- **Low Minimum**—as little as $1,000 can start you receiving tax-free income.
- **Easy To Purchase**—send in the coupon or call toll free **1-800-638-5660.** If busy, or in Maryland, call **301-547-2308** collect.

ROWE PRICE TAX-FREE INCOME FUND, INC.
100 E. Pratt St. Baltimore, Maryland 21202

Name_____
Address_____
City_____ State_____ Zip_____

For more complete information, including management fee and other charges and expenses, obtain a prospectus. Read it carefully before you invest or send money.
*Income may be subject to state and local taxes.

A6

© 1978 T. Rowe Price Associates, Inc.

YOU MIGHT BE SURPRISED JUST HOW MANY PEOPLE IN YOUR COMPANY WERE HELPED BY UNITED WAY LAST YEAR.

Chances are many of your employees and their children often benefit from services for which the United Way lends financial support. Boy's Clubs, Girl Scouts, YMCA, American Red Cross, YWCA, chemical dependency programs, family counseling services—and many more.

Thanks to your generosity, the United Way and the agencies it helps support will continue to be here when we're needed.

Thanks to you, it works. For all of us.

United Way

Ad Council A Public Service of This Magazine & The Advertising Council

A farmer could produce enough sunflower seed oil to operate his farm equipment—and have an animal feed to boot.

SUNFLOWER SEED FUEL?

By Stanley W. Angrist

MANY PEOPLE believe that solar energy is the way for the U.S. to extricate itself from its dependence on foreign crude oil, but there are just as many people, if not more, who feel that solar energy will never make much of a contribution to our energy needs. But on Tuesday, May 6, when the Minneapolis Grain Exchange started to trade sunflower seed futures, some people started to think about solar energy as an indirect rather than as a direct source of energy. But first let's take a look at this newest of futures contracts.

The sunflower seed futures contract is for 100,000 pounds (1,000 hundredweight), whose price is quoted in dollars and cents per hundredweight (cwt). The minimum price fluctuation is 1 cent per cwt ($10 per contract), with a daily trading limit of 50 cents per cwt ($500 per contract). The contract calls for delivery of number one U.S.-origin oil-type sunflower seeds with 40% oil yield and a minimum test weight of 25 pounds per bushel. The minimum margin that the exchange asks for on a contract is $1,200, with a round-turn commission of about $85. But why is there such interest in sunflower seeds now?

Led by the Soviet Union, Europe produces about two-thirds of the world's sunflower seeds. European countries outside the U.S.S.R. import about two-thirds of the world's sunflower seed and oil. For many years the U.S. ignored sunflower seeds. But in the 1970s a switch was made from open pollinated varieties to hybrids, resulting in more disease-resistant crops with higher oil content.

In 1970 the U.S. produced less than 100,000 metric tons. But in the first half of the decade the crop increased fivefold. In 1977 the U.S. more than doubled production to take second place behind the Russians. In 1979 the crop came in at 3.7 million metric tons—a 37-fold increase in sunflower seed production in ten years. The rise in U.S. sunflower seed exports has been even more dramatic. From a 2% share of world exports in 1971, the U.S. has become the leading exporter of sunflower seeds, accounting for 85% in 1979.

With about 70% linoleic acid, sunflowers are a superior source of vegetable oil for use in cooking and salad oils, margarine and shortening. The high protein content of sunflower seed oil has made it an important part of European diets.

The oil and meal extracted from sunflower seeds are viewed by many as direct competitors for soybean meal and oil. But there are some differences: Whereas soymeal and soyoil constitute about 80% and 18% respectively of the soybean, sunmeal and sunoil make up 55% and 40% of the sunflower seed. Thus it is fair to say that the sunflower seed is more of an *oil* seed, while soybeans are more of a *meal* seed. Because of a difference in protein content, it is necessary to multiply the price of 44% protein soybean meal by 0.63 in order to make it comparable with the price of 28% protein sunmeal (including hulls). The value of the sunoil currently represents about 78% of the sunflower seed products. This means that sunflower seed prices will tend to move in parallel with soyoil prices rather than with soybean prices.

Where does solar energy come into the picture? Sunoil has been demonstrated to be a substitute for diesel fuel. Vegetable oils have not, until recently, been given any serious consideration as a source of energy for diesels because it has been more economical to process vegetable oils centralized, large, solvent-extracti type plants. In such cases the hi cost of transportation is always limiting factor. But now a number groups have started to examine t possibility of smaller, on-farm prod tion of sunoil, which has seve things going for it.

A farmer could produce enough from his own crop and labor to op ate his farm equipment. Furthermo after extracting the oil, the farm would be left with a meal that is adequate animal feed. Conservative it is expected that each acre planted sunflower seed would produce abo 65 gallons of oil and about 620 pour of dehulled meal. When one tak credit for the value of the meal a the value of the sunflower seed itse the imputed cost of the oil would around 85 cents per gallon.

It should be kept in mind, howev that even if we turned every pound sunflower seed raised in the U.S. l year into oil, we would only g about 10 million barrels, which about two days' worth of impor crude. Nevertheless, yields have be steadily climbing, and farmers ha been increasing their sunflower ac age. Acreage is expected to double 1984. I don't doubt that if farm found they could reduce the amou of diesel fuel they must purchase planting sunflowers, acreage figu would be even higher than what currently expected.

Several problems remain to be m fully explored in this area. One is t development of a low-cost, on-far oil extractor. Another is the effect long-term burning of sunoil on engi wear and life. Finally, what is the propriate mixture of sunoil and die fuel required to get a fuel with a l enough viscosity to flow all winter

Volume of trading is still too low me to make a recommendation. Ho ever, the sunflower seed market is c that many of us will be watching w interest in the coming months.

Stanley W. Angrist is a professor at Carnegie-Mellon University and the author of Sensible Speculating in Commodities.

Bellies again

August bellies are trading at an h torical discount to the February co tract—1,700 points or so. Ventu some traders might buy August a sell February at such levels and lo for a narrowing of 500 to 800 poi ($1,900 to $3,040). I would risk more than 200 points ($760) from i entry position. Margin on this tra would be about $700, with a rou turn commission of $85. ■

npanies covered in news stories and by the columnists in this issue.

nium Ltd (Canada) 32
....32
rlines 80
press 88
nancial 67
otors 31
tural Resources 45
....45
....54
rica 31
of San Francisco 36
....45
eral of Miami 44
....16
J.K.) 54
eum (U.K.) 54
ds 53
fornia of Palo Alto 36
oration (U.K.) 54
Co 55
aft 69
ttan 80
....8, 86, 96
....19
Engineering 45
....45
ter 95
gine 53
....88
es 35
....48
ines 34, 80
....86
....33
....45, 54, 88
....67
nera & Instrument 12
essive Income Fund 86
Financial 81
....80
nk of Boston 31
Fresno 36
....45
Foote, Cone & Belding 19
Ford Motor 8
Foster Wheeler 23, 45
Franklin Realty Group 68
Gates Learjet 69
Gates Rubber 72
GEICO 19
Gelco 86
GM 8, 45
General Tire & Rubber 53
Gulf Oil 54
Gulf & Western 53
Helmerich & Payne 88
Houston Oil & Minerals 54
Humana 86
Intel 8
Intermark 86
Johnson & Johnson 88
K mart 38
Kaiser Aluminum & Chemical 32
Kaufman & Broad 41
Kenilworth Realty 67
Lehigh Valley R.R. 86
Levi Strauss 16
London & Scottish Marine Oil (U.K.) 54
Louisiana-Pacific 88
3M 88
Marathon Oil 88
Henry Miller Realty Trust 68
Mobil 16, 48, 88
Mortgage Trust of America 67
Mosbert Group (Hong Kong) 36
Moscow Narodny Bank Ltd 36
Motorola 8
National Semiconductor 12
Nationwide Real Estate Investors 68
New York Post 16
New York Times 16
Nippon Light Metals 32
Northwest Inds 80
Ohio Casualty 95
Old Stone 68
Pacific Atlantic Bank (Panama) 36
Panhandle Eastern Pipe Line 18
Parker Drilling 88
Ralph M. Parsons Corp 45
S. Pearson (U.K.) 54
Peninsula Nat'l of Burlingame 36
Penn Central 86
Premier Consolidated (U.K.) 54
Procter & Gamble 88
Ranger Oil (Canada) 55
Reading R.R. 86
Renault (France) 31
Reynolds Inds 81
Reynolds Metals 32
Rotan Mosle 68
Royal Dutch Petroleum 88
San Francisco Realty 67
Santa Fe Inds 54
Schlumberger 88
Sears, Roebuck 37
Sherwin-Williams 53
Standard Oil (Calif.) 55
Standard Oil (Ind.) 88
Standard Oil (Ohio) 88
Stone & Webster 45
Tahoe Nat'l 36
Texas Instruments 8
Toyo Kogyo (Japan) 96
Toyota (Japan) 8
Trans World 80
Transamerica 67
Travelers 95
Tribune Co 16
Tricentrol (U.K.) 55
Triton Group 67
UAL 34, 80
Unicorp 67
Uniroyal 53
Volkswagen 8
Wall Street Final 16
Warrior Drilling 55
West Point-Pepperell 53
Wisconsin Real Estate Investment Trust 67
Zapata 54, 86

Do you know anybody who is somebody in business who does not read Forbes Magazine?

Forbes: Capitalist Tool®

Thoughts
on the Business of Life

The secret of being miserable is to have leisure to bother about whether you are happy or not.
GEORGE BERNARD SHAW

Life would be infinitely happier if we could only be born at the age of 80 and gradually approach 18.
MARK TWAIN

In the normal human being it is impossible to live every day under emotional stress; there have to be, on this seesaw, periods of even balance.
FAITH BALDWIN

I reject get-it-done, make-it-happen thinking. I want to slow things down so I understand them better.
JERRY BROWN

Man was not born to solve the problems of the universe, but to put his finger on the problem and then to keep within the limits of the comprehensible.
GOETHE

It is not true that X never thinks. On the contrary, he is always thinking—about something else.
FRANCIS HERBERT BRADLEY

The best thinking has been done in solitude. The worst has been done in turmoil.
THOMAS ALVA EDISON

Those who decide to use leisure as a means of mental development, who love good music, good books, good pictures, good plays, good company, good conversation—what are they? They are the happiest people in the world.
WILLIAM LYON PHELPS

I live in the crowds of jollity, not so much to enjoy company as to shun myself.
SAMUEL JOHNSON

I pity any fellow who doesn't enjoy fishing. Fishing, somehow, stimulates reflection, tempers the vicissitudes of business life, encourages contemplation, calms one's nerves.
B.C. FORBES

I have stood in some mighty-mouthed hollow that is plumb full of hush to the brim.
ROBERT W. SERVICE

Man is a gregarious animal, and much more so in his mind than in his body. He may like to go alone for a walk, but he hates to stand alone in his opinions.
GEORGE SANTAYANA

One can acquire everything in solitude except character.
STENDHAL

Solitude affects some people like wine; they must not take too much of it, for it flies to the head.
MARY COLERIDGE

Whenever I think I make a mistake.
ROGER STEVENS

A woman who has never seen her husband fishing doesn't know what a patient man she has married.
ED HOWE

More than 3,000 "Thoughts," indexed by author and subject, are available in a 574-page book at $11.95. Send check and order to: Forbes Inc., 60 Fifth Ave., New York, N.Y. 10011. Add appropriate sales tax on New York State orders.

People should think things out fresh and not just accept conventional terms and the conventional way of doing thin
BUCKMINSTER FULLER

Vacant lots and vacant minds attract the most rubbish.
ARNOLD GLASOW

It is a common experience that a problem difficult at night is resolved in the morning after the committee of sleep has worked on it.
JOHN STEINBECK

Silence is the element in which great things fashion themselves
THOMAS CARLYLE

A Text . . .

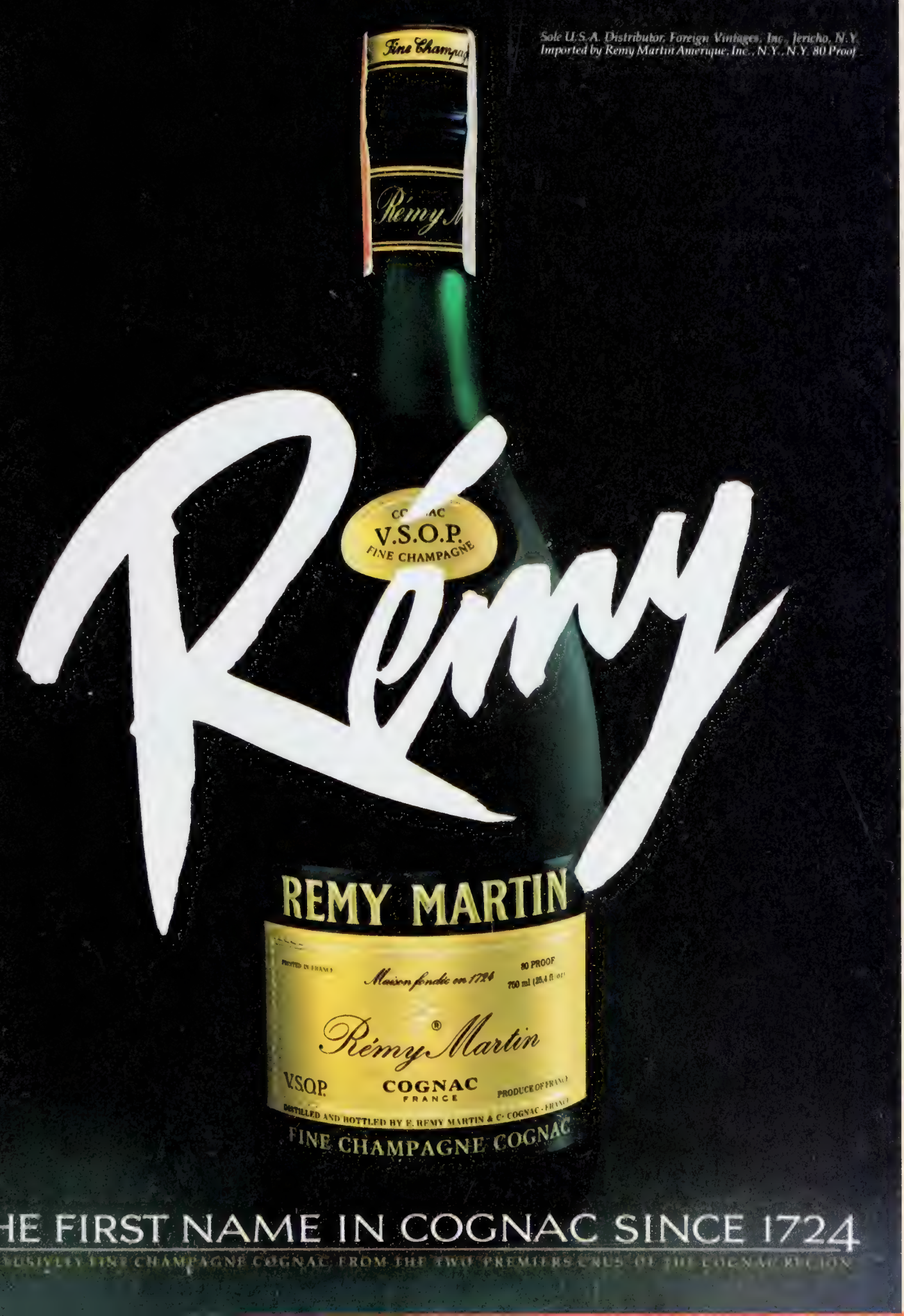
Commit thy works unto the Lord, and thy thoughts shall be established.
PROVERBS 16:3

Sent in by Donald B. Willis, Parma Hei Ohio. What's your favorite text? The Fo Scrapbook of Thoughts on the Busines Life is presented to senders of texts used.

It is human nature to think wisely and act foolishly.
ANATOLE FRANCE

Every good thought you think is contributing its share to the ultimate result of your life.
GRENVILLE KLEISER

Idleness and the incapacity for leisure correspond with one another; leisure is the contrary of both. Leisure is only possible to a man who is at one with himself and also at one with the world.
JOHN PIPER


Sole U.S.A. Distributor, Foreign Vintages, Inc., Jericho, N.Y.
Imported by Remy Martin Amerique, Inc., N.Y., N.Y. 80 Proof
Rémy
V.S.O.P.
FINE CHAMPAGNE
REMY MARTIN
80 PROOF
Maison fondée en 1724
Rémy Martin
V.S.O.P.
COGNAC
FRANCE
PRODUCE OF FRANCE
FINE CHAMPAGNE COGNAC
HE FIRST NAME IN COGNAC SINCE 1724

From Oakland to Dallas to New York or 10,000 points in between...

IU's P-I-E is the first choice for the long haul.

Pacific Intermountain Express serves almost every business center in the nation. Its terminals and routes stretch from California across the Rockies to Texas and the Great Lakes, and from the Northeast to the Pacific Northwest.

This broad network enables P-I-E to provide shippers of all sizes with direct service to more than 10,000 cities and towns. And direct service means speed and efficiency.

The truck line's on-time performance record is one of the best. A Dallas shipper says he uses P-I-E because "they can deliver in days, not weeks. And in my business, time is definitely money."

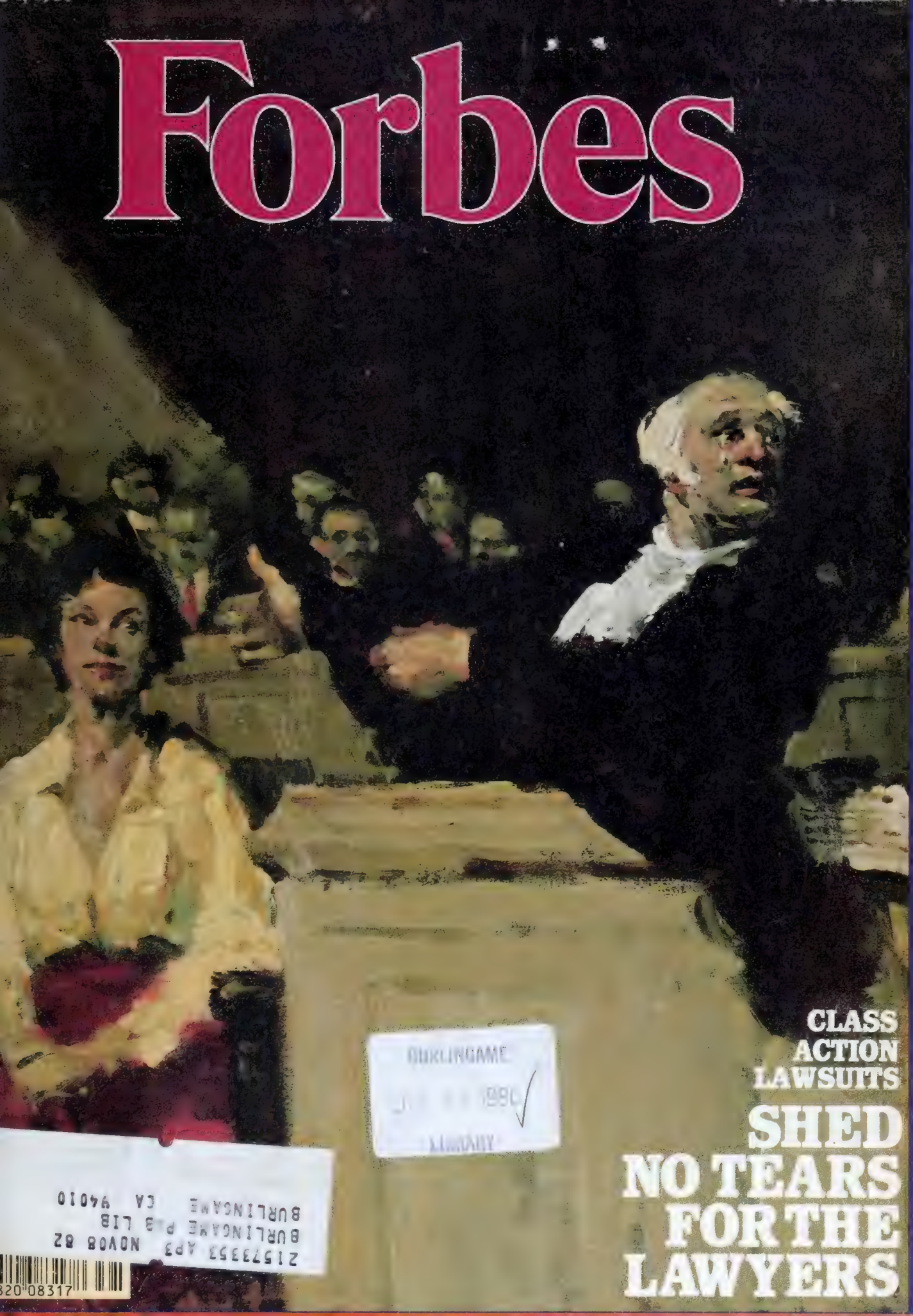
P-I-E pioneered the use of computer technology to improve service for shippers. This means monitoring every truck and every shipment day and night—to ensure that freight is picked up and delivered on schedule. That's another reason why P-I-E is currently the fastest growing of the country's top 20 carriers.

P-I-E is an important part of IU International, a company with interests in transportation services, industrial, utility, distribution and agribusiness markets that add up to annual revenues of more than $2.6 billion.

IU International

For more information on P-I-E, write Doyle Beatenbough, President, Pacific Intermountain Express, P.O. Box 8004, Walnut Creek, CA 94596. To learn more about IU, write IU Corporate Affairs, 1500 Walnut Street, Philadelphia, PA 19102.

Forbes



CLASS ACTION LAWSUITS

SHED NO TEARS FOR THE LAWYERS

BURLINGAME
1990
LIBRARY

2157353 AP3 NOV08 82
BURLINGAME PUB LIB
BURLINGAME CA 94010

320 08317

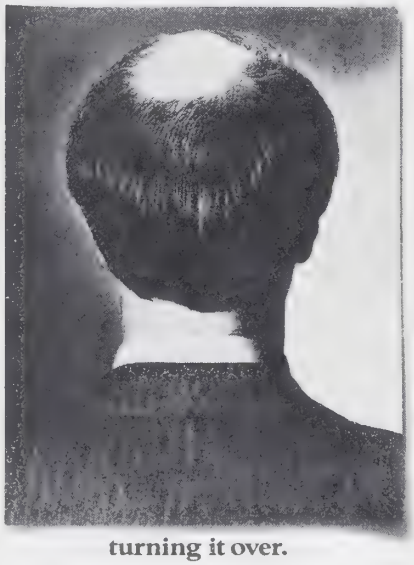
© 1979 Gordon's Dry Gin Co. Ltd

It's crystal-clear.
It's a bit more expensive, but for a crisp Gin & Tonic,
the world comes to Gordon's.®

Reduce office turnover by 100%.

BURLINGAME
JUL 2 3 1980
LIBRARY

Now you can copy both sides of a page without...



turning it over.

If you copy from two-sided originals, your copier is definitely contributing to office turnover.

Because in order to make two-sided copies, your people have to: (1) copy one side, (2) turn over the original, and (3) copy the other side.

Maybe you should turn to a Xerox 5600. It's the only copier that does all that in (1) step, automatically. It also collates your copies into nice, neat sets, automatically. And even staples them, automatically.

Which automatically gives your people time to spend on more rewarding and productive things than standing by a copier and shuffling originals.

And that's another way a Xerox 5600 can help reduce office turnover.

Give us a call at 800-648-5600 (operator 263),* and we'll be happy to show you how.

XEROX

ROX® and 5600 are trademarks of XEROX CORPORATION

*In Nevada, call 800-992-5710, operator 263.

Forbes

August 4, 1980
Volume 126, Number 3

59

34

35

46

Features

Oil: *The Honey Pot.* Willie Sutton used to rob banks because "that's where the money is." These days, the oil companies are where the money is, and politicians from Philadelphia to Juneau are swarming around them like flies around spilled honey. 31

Finance: *Why Tinker With A Good Thing?* In this case, it is the vehicle that has already helped the world get through two recycling crises—the Euromarket. 32

Newspapers: *Extra! Extra!* Shades of Pulitzer and Hearst—Gotham's great newspaper war. 34

Technology: *The Return Of Ovonics.* Is Stanford Ovshinsky a scientific genius or just a smart promoter? A lot of money rides on the answer. 35

Takeovers: *Digging In.* More and more shareholders are being asked to give up traditional rights by corporate managements worried about takeovers. 37

Banks: *Don't Sell America Short.* Britain's third-largest bank plants the flag in California. 38

Housing: *Let 'Em Eat Condos.* "Apartments are dead," says Les Nelson, who was the biggest apartment builder on the West Coast a few years ago. The nation's rental stock is shrinking while the number of renters is rising. 42

Baseball: *You Gotta Believe.* If you're the new owners of the ragtag New York Mets, you do. Otherwise you might wonder why you shelled out that $26 million. 46

The Up-And-Comers: *The Third-Generation Syndrome.* It's a phenomenon that plagues companies like his, says Oneita Knitting's Robert Devereux—"the fathers were strong, the grandfathers were strong, but when it hit the third generation, that's when most of them got out." In Oneita's case, it worked out differently—and better. 48

Promoters: *A Fresh Start In America?* Judah Eleazer Bi stock lives variously in Spain's Marbella, Paris, Portugal a Miami. He doesn't live in Britain, however, where a wa rant once was issued for his arrest. What the SEC would lik to know is what he is doing with a U.S. publicly trade company as his plaything. He's not the only one. A long lin of shadowy European businessmen who left home in hurry have wound up heading for the U.S. 5

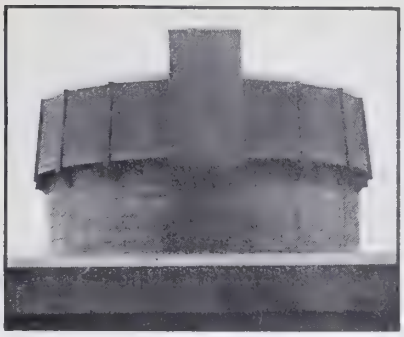
Cover Story: *Getting Into Those Deep Pockets.* The class action lawsuit and the million-dollar verdict may just be th juiciest thing that ever happened to the U.S. legal profes sion. Instead of representing a few clients, law firms no represent hundreds or thousands, with potential fees an damage awards mounting accordingly. 5

Companies: *The Project That Grew . . . And Grew.* Hall mark is getting a greeting it didn't expect. 6

Statistical Spotlight: *Some Catches, But. . . .* Tax-free divi dends are payments that qualify as return of capital. The market rarely accords a premium to the companies tha give them—for obvious reasons—but that greater risk ca provide higher yields, too. 64

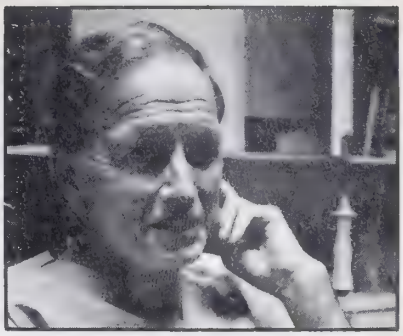
Utilities: *Pay Now Or Pay Later.* Pressure groups, inflation and conservation have all but destroyed nuclear power in the U.S. In the last six years alone, more than 50 nuclea plants—planned but not yet started—have been canceled around the country. Who's going to foot the bill? 67

The Numbers Game: *No Free Lunch.* Industrial Revenue Bonds look great. But somebody pays. 69



67

73



76

Streetwalker: *Hitting A Gusher?* Look for more trust offs in the oil business. The big question is whether government will go along. 72

ure: *Watching The Dollars.* Recession or no, Ameri- are still spending plenty on entertainment and recrea- But they're spending more selectively—which is why -to-home theme parks are doing well and many of the mer's crop of movies are not. 73

panies: *Nothing To Sniff At.* Snuff would seem to be a nant market if anything is. Yet U.S. Tobacco, which that market pretty much to itself, has found it is ing nicely, thanks to people like John Travolta and Surgeon General. 74

stments: *A Double Life.* Are professional people lousy stors? Houston's Dr. Denton Cooley, one of the d's most famous surgeons and a successful real estate stor, defies the generalization. 76

Faces Behind The Figures

ice R. Valente, *ex-RCA* 82
ard Dicker, *Penn Central Corp.* 82
ne Sullivan, *Borden Inc.* 82
ert J. Siegel, *Chris-Craft Industries* 85
ickle, *Congressman* 85
t Carnesale, *Nuclear Regulatory Commission* 85
orbes-Hamilton, *social entrepreneur* 86
W. Lederer, *MPG* 86
ge T. Spalding, *Diemakers, Inc.* 86
n Witsman, *Chicago City Budget Director* 87
ard V. Adams, *National Bank of Abu Dhabi* 87
ld Rothstein, *Oh Dawn Inc.* 87

Money And Investments

The Economy: *Is The Speedometer Broken?* In 1975 the Fed tried to cut down on money growth only to find that not all of it was being counted. Is something similar happening this time around? 89

Columnists

Ben Weberman 90
John Train 92
Stanley W. Angrist 94
Heinz H. Biel 96
Ann C. Brown 98
Ashby Bladen 100

Departments

Side Lines 6
Trends 8
Follow-Through 12
Flashbacks 14
Readers Say 16
Fact and Comment.....21
Other Comments 26
Editorial Index 101
Thoughts.....104

Photos: p. 8, Ray Fisher; p. 23 center left, Steve Joester; pp. 34, 46, 47, 59, 60, 61, 67, 73, 74, 87 top, Bill Kelly; p. 36, J. Edward Bailey; p. 42, Leslie Wong; pp. 43 top, 62 right, 73, 76, 80, John Grossman; pp. 43 bottom, 86 top, James Caccavo/Empire; p. 44, Art Shay; p. 45, Leroy Woodson Jr.; pp. 48, 50, Charles West; p. 57 top left, London Express; p. 57 top right, Financial Times; p. 57 bottom, Colin Penno; p. 62 left, Diane Gentry/Black Star; p. 63 top, United Features Syndicate; p. 63 bottom, Steve Hix; p. 82, Patrick Pagnano; p. 85 bottom left, Roy Stevens; p. 85 bottom right, Frederick Bodin; p. 87 bottom left, Leviton-Atlanta; p. 87 bottom right, Cynthia Johnson.

Illustrations: pp. 12, 37, Chas. B. Slackman; p. 69, Geoffrey Moss
Charts: pp. 31, 89, Andrew Christie; p. 33, Bob Conrad

Cover Illustration: Milt Kobayashi

Forbes (ISSN 0015 6914) is published biweekly by Forbes Inc., 60 Fifth Ave., New York, N.Y. 10011. Second-class postage paid at New York, N.Y. and at additional mailing offices. Subscription $27 a year, U.S.A. Postmaster: Send address changes to Forbes, 60 Fifth Ave., New York, N.Y. 10011.

Copyright © 1980 Forbes Inc.

ARE YOU CLOSING YOUR EYES TO THE PROFIT POTENTIAL IN 800 SERVICE?

Today, over 29,000 companies have discovered the profit potential in the 800 Service number.

They are small and large companies. They represent all types of businesses—antiques, chemicals, florists, lab supplies, and lots more.

That means there's a variety of ways to use 800 Service. If you're not using it, maybe there's a potential you haven't yet spotted.

Here are some of the things we've learned that may help you.

Instant Action With Direct Sales

Your customer's interest is at its highest when he or she first sees your ad. The 800 Service number lets customers respond instantly. It prompts people to buy, improves the number of responses you get.

Do you publish a catalog? People find it easier to call your 800 Service number than to fill out a catalog order form. And your order people can suggest additional items to buy.

Smaller companies, which specialize in one type of product, such as competition swimwear or customized auto bodies, have found the 800 Service especially profitable.

Sell To Other Businesses

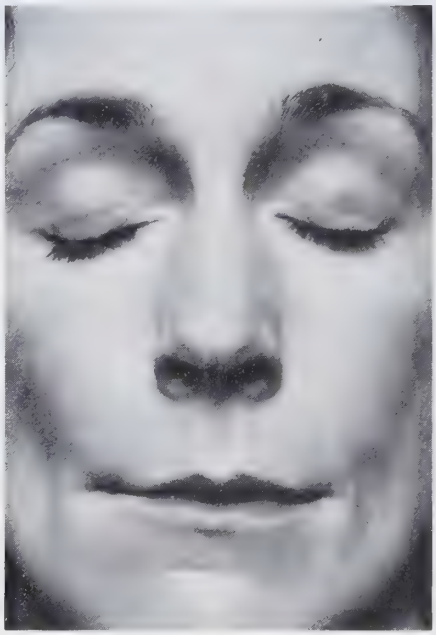
When your customers want to order, and your salesperson isn't due for a visit, all they have to do is call your 800 Service number. They can discuss their needs with your salespeople, make substitutions on the spot, learn about new products, be reminded of discounts and deals.

Complaints are cleared up, orders are processed and delivered faster. With better service, you have an edge over the competition.

One company, by adding 800 Service, was able to close down its nationwide sales offices. Now customers, instead of calling one of the local offices, call central headquarters. It's faster and more efficient—yet warm and personal.

Give Customers Information

With 800 Service, consumers



can find out where your retail outlets are, what stores carry your product. Do they want product information—sizes or colors? Do they want to locate the nearest repair service? 800 is the answer.

One camera manufacturer gives advice on picture taking with it. A model airplane manufacturer has substantially reduced returns with instant help on getting models to fly. In this way, too, they catch defects when new products are launched.

Measure Advertising Response

With 800 Service, you'll know immediately how effective the ad is. You'll discover which media are pulling best. And ask any other question that might be helpful in evaluating your advertising.

When you learn instantly which are your best ads, you can pull the poor performers at once and so increase advertising productivity.

Improve Company Image

Consumer attitudes can help *or hurt* your business. In this age of consumerism, 800 Service demonstrates your willingness to talk, give you an honest, candid image.

800 Service lets you answe consumer questions quickly an courteously. It turns potentially dis satisfied customers into friends.

Company stockholders can als talk to you in this way. And it' easy for potential stockholders an financial analysts to establish con tact and request additional infor mation, annual reports, or specia brochures.

Here's More Help

In addition to 800 Service, Bel has all these programs to help you manage your business better.

#2 WATS Lines for Small and Medium Business. Learn the most economical ways to buy WATS—by time, by area—and how WATS can build profits, improve customer service, and reduce selling costs.

#3 Remote Call Forwarding (RCF). Customers dial a local number reach you in a distant city. You have local "presence" without the expense of a local office. Lets you open new markets, test out those new markets and give better service.

#4 Selling Smaller Accounts. Instead of visiting distant accounts sell by Long Distance. Reduce the cost of making the sale. Sell more accounts. Reach customers at the point where lowered inventory prompts them to buy.

#5 Improving Credit Management. It's the key to cash flow—programs that expand your market, develop customers, build profits. Helps you check the customer's ability to pay, calculate marginal risk, and collect overdue accounts.

#6 Handling Inquiries. Turn mail or phone inquiries into sales. Learn how to capitalize on a prospect's interest immediately with quick and competent action. Establish rapport that cannot be achieved by responding through the mail.

Bell System

CALL 800-821-2121,

Ext. 962.

toll free anywhere in the contiguous United States. In Missouri, call 800-892-2121, Ext. 962.

A BELL BUSINESS EXPERT WILL TALK TO YOU. You can expect to have a relaxed, friendly talk. You'll discover whether the 800 Service number can be a practical, profitable plus for your business. To help you, we'll need information. So we'll ask questions, like the ones listed below. No surprises, nothing you won't have the answer to. You'll find the discussion thoroughly enlightening and enjoyable.

"I'll take a good look at it.

Q. What is your product or service?
Q. How many accounts do you sell or service?
Q. What geographic area do they cover?
Q. How many locations does your business have?

Q. What type of advertising/promotion do you use?
Q. Do you accept collect calls?

Q. Do you use services other than your local lines, such as RCF?
Q. How do you handle inquiries at present?
Q. Do you have plans to meet specific business objectives—such as increasing market coverage?

OR WRITE.

Fill in below or attach your business card and mail.

Bell System Sales Center
811 Main Street, P.O. Box 549
Kansas City, Missouri 64141

Yes, I am interested. Tell me more about:
☐ #1 800 Service

I would also like to know more about the subjects I've checked below.
☐ #2 WATS Lines For Small and Medium Businesses
☐ #3 Remote Call Forwarding
☐ #4 Selling Smaller Accounts
☐ #5 Improving Credit Management
☐ #6 Handling Inquiries

Name_____

Title_____

Company_____

Address_____

City_____ State_____ Zip_____

Area Code_____ Business Phone_____

800-821-2121, Ext. 962

To call toll free, dial 800-821-2121, Ext. 962, anywhere in the contiguous United States. In Missouri, call 800-892-2121, Ext. 962.

Bell System

962-005

Forbes

Editor
James W. Michaels

Managing Editor
Sheldon Zalaznick

Executive Editors: Dero A. Saunders, James Cook
Economics Editor: Ben Weberman
Art Director: Everett Halvorsen
Senior Editors: Ruth M. Gruenberg, Robert J. Flaherty, Geoffrey Smith, Howard Rudnitsky, Jefferson Grigsby, John A. Conway, Stanley H. Brown, Malcolm S. Forbes Jr., Paul Gibson
Contributing Editors: Richard Phalon, Clothield Spencer, Norman Gall
Associate Editors: Jean A. Briggs, Subrata N. Chakravarty, Thomas C. O'Donnell, Maurice Barnfather, Allan Sloan
Staff Writers: Harold Seneker, James O'Hanlon, Carol E. Curtis, Stanley Ginsberg
Reporters: Betty Franklin, Richard Greene, Steven Flax, Thomas Jaffe
Reporter-Researchers: Flora S.H. Ling, Chief; Gerald Odening, Linda Gasparello, Christine Miles, Alyssa Lappen, Jane Carmichael, Thomas Baker, Jeff Blyskal, Anne Bagamery, Tom Chesser, Newcomb Stillwell, Merrill Kilisch, Jonathan Greenberg
Washington Bureau: Jerry Flint, Manager; Beth Brophy, Ann Hughey, William Baldwin
West Coast Bureau: John Merwin, Manager; Kathleen K. Wiegner, Michael Kolbenschlag, Nick Galluccio, Ellen Paris, William Harris
Southwestern Bureau: Phyllis Berman, Manager; Tedd A. Cohen, Toni L. Mack
Midwestern Bureau: Bob Tamarkin, Manager; Lisa Gross
European Bureau: Lawrence Minard, Manager; Barbara Ellis
Copy Department: Donald E. Zipperer, Chief; Marlene Mandel, Deputy; Dolores Guilhot, Jane Lashaw
Art Department: Roger Zapke, Ronda Kass, Assistant Directors; Nikki Frost, Photo Editor; Philip Getter, Assistant Photo Editor
Columnists: Heinz H. Biel, Thomas P. Murphy, Stanley W. Angrist, John Train, Martin T. Sosnoff
Director of Production: John J. Romeo; Robert M. Rosengarten, Edward B. Morgan, Robert D. McDaniel, Assistants
Advertising Production: Patricia Deckelnick
Photocomposition: James Cianelli, Manager; Karen Heuler, Assistant; Lynn Gaspar, Johnnie English, Arthur Petz
Information Services: Robert M. Sterenson, Manager
Library: Dolores A. Lataniotis, Chief; Clarita Jones, Santiago Alvarado, Gloria Katz
Statistics: Donald E. Popp, Editor; Maria M. Latorraca, Associate Editor; Edward Sakalian, Ann Oliver, Paul Bornstein, Tom Kue, Steve Kichen

President and Editor-in-Chief
Malcolm S. Forbes

Publisher
James J. Dunn

Executive Vice President
Leonard H. Yablon

Vice President and Secretary: Malcolm S. Forbes Jr.
Vice President and Controller: Joel B. Redler
Vice President and Treasurer: Leonard Greenberg
Vice President and Assistant Publisher: Christopher Forbes
Director of Advertising: Stephen G. Nicoll
Director of Corporate Communications: Wm. Donald Garson
Director of Circulation: John M. Thornton
Director EDP: Jerome Hoffman
Advertising Representatives:
New York: 60 Fifth Ave., 10011, Peter M. Schoff, Manager; (212) 620-2232 Arnold J. Prives, Fin'l Adv. Mgr.; George C. Clissold; Donald W. MacDonald; G. Croft Henry; John Wilson; Richard Calkins; Ellen S. Dweck, Kevin D. Miller; James W. LaCirignola, Dir. Int'l Adv.; H. Duncan McMillan, Dir. Spec. Proj.; Thomas G. Petersen, Co-Dir. Spec. Proj.
Atlanta: 550 Pharr Rd. N.E., 30305, Charles S. Thorn Jr., Manager; (404) 233-2457
Chicago: 435 N. Michigan Ave., 60611, Richard W. Reynolds, Manager; (312) 467-5000 James H. Mallon, Jeffrey M. Cunningham
Cleveland: Suite 501, The Leader Building, 44114, James B. Norton, Manager (216) 771-1271
Dallas: 4681 First National Bank Building, 75202, Fred H. Wellington, Manager; (214) 742-7001 William R. Arnold, Co-Dir. Spec. Proj
Detroit: 3331 West Big Beaver Rd., Troy, Mich. 48084, Richard E. Forbes, Manager; (313) 643-0105
Los Angeles: 5900 Wilshire Blvd., 90036, Craig E. Miller, Manager; (213) 931-8131
San Francisco: 625 Market St., 94105, John B. Cunningham, Manager; (415) 788-2366
Classified: Sarah Madison; (212) 620-2371 60 Fifth Ave., New York, N.Y. 10011

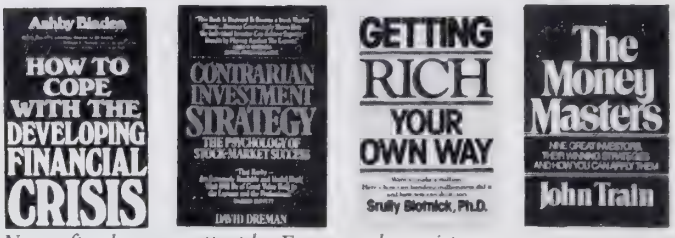
Mgr. Subscription Service: T.M. York
60 Fifth Ave., New York, N.Y. 10011

PAID CIRCULATION OVER 690,000

FOUNDED 1917 BY B.C. FORBES (1880-1954)

Side Lines

Summer reading, not all of it light



New after-hours output by Forbes *columnists*

Writing columns for Forbes every fortnight and handling successful careers is not enough to keep our Money and Investment writers busy. Most of them have one or more books to their credit. A new crop is recently off the presses.

Ashby Bladen's first book, *How To Cope with the Developing Financial Crisis* (McGraw-Hill, $8.95), reflects his feeling that the U.S. is in economic trouble that will destroy our standard of living if we do not act soon.

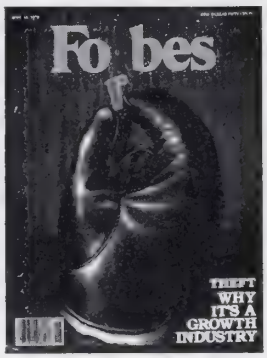
Dr. Srully Blotnick has just finished his second book, *Getting Rich Your Own Way* (Doubleday, $10.95). If you've read all the get-rich-quick books, forget them. This one is different. Over the last 20 years, Blotnick has studied more than 1,000 people, none of whom started out wealthy. His findings will really surprise you. He says that the way to be successful in our society is not through buttering up the right people, playing politic marrying the boss' son or daughter. H then? Would you believe working har something you really like? He has facts to prove it.

Contrarian Investment Strategy (Rand House, $12.95), David Dreman's sec book, shows how a smart little inve can beat the big investors if he plays game right.

John Train is the most prolific of t group, with five books to his credit another scheduled soon. His latest is *Money Masters* (Harper & Row, $9. describing and evaluating the strate and philosophies of America's grea money managers. A Book-of-the-Mo selection.

Ben Weberman has just published first book: *Interest Rate Futures—Pro and Pitfalls.* Light summer reading? D nitely not.

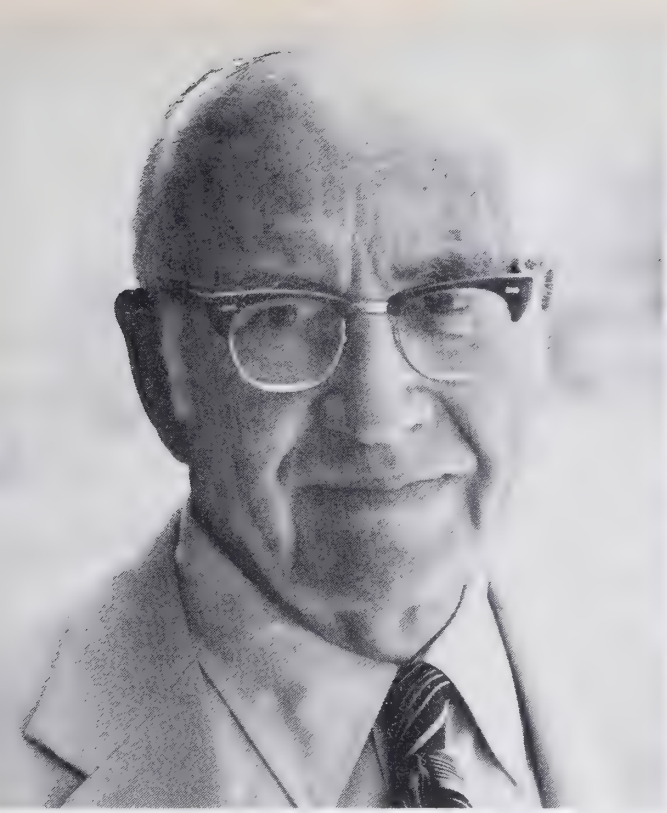
Back-pocket idea



Forbes Art Director Everett Halvorsen last month won a Certificate of Merit from the New York Art Directors Club for his Apr. 16, 1979 cover on theft as a growth industry, rendered by artist Mark Hess.

Halvorsen originally had entered four or five Forbes covers among the 200-or-so that were submitted in the competition; he has no idea why the judges picked this particular one. "I think this one was selected," he theorizes, "because a joke was involved. But it had to be very obvious."

Halvorsen says he himself had doul about the sketch at first. Halvorsen h prepared a number of rough sketches show to Managing Editor Sheldon Zal nick; unsure how this one would be ceived, he stuck it in his back pock When Editor Zalaznick rejected the o er sketches, Halvorsen reached into back pocket. *Voila!* This and other wo that Halvorsen has done caused cons tant John Peter to write in *Folio* mag zine: "Lately, some of the best conce covers have been showing up on Forb magazine."



One of these drivers had a head-on collision and walked away without a scratch.

"I'm Dr. Arnold Arms, the man on the left. In 1975, drove one of the American cars equipped with ir bag restraint systems being tested in this country. t 6 p.m. on October 7, I left my office to make a house all and never made it. I had a head-on collision with city bus. I was travelling at about 25 miles an hour.

"I recall very well what happened. The air bag lled in front of the steering wheel and deflated right way. I could see I was alive. I could see that I had o broken bones. To my surprise, I didn't even have headache or whiplash injury. I was able to walk away om the crash." ***Arnold V. Arms, M.D., Kansas City, MO***

In 1979, 25 million auto accidents occurred in the .S. Millions of drivers and passengers were injured; 7,000 of them died. The cost of hospital and medical eatment for auto injuries was astronomical. And with nflation continuing to spiral, these costs continue to oar.

Many deaths and injuries could be prevented if eople would use seat belts and shoulder harnesses, hich are standard equipment in all new cars. Unfortuately, fewer than 20% of all automobile occupants use eir seat belts.

A federal standard requires that all full-size 1982-odel cars *automatically* protect front seat occupants om serious injury in crashes up to 30 mph.

The auto industry has proven technology to meet ese new federal requirements. Safety belts that autoatically restrain you is one approach. The air bag estraint system is another.

Extensive testing has proven that air bags can absorb the impact forces in head-on and front-angle crashes, with a cushioning effect that dramatically reduces serious injury. Research has shown that air bag protection can reduce the frequency of head, face, neck and torso injuries by as much as 40%. And the cost is less than many car stereo systems.

Air bag protection is automatic. No initiative is needed from the occupant. However, manual lap belts will still be provided for those who desire additional protection in other than front-angle crashes.

If there are fewer injuries, there will be less medical, hospital and legal expenses. And we will be better able to keep the cost of your auto insurance at a reasonable, affordable level.

Here's what we're doing to control costs:

- Working through the Insurance Institute for Highway Safety to make cars more crash resistant and highways safer.
- Lowering premiums for cars with air bag or automatic seat belt restraint systems.
- Asking for stricter enforcement of the 55 mph speed limit.
- Encouraging increased use of safety belts.

Here's what you can do:

- Use your seat belt regularly.
- Work in your community to make sure speed laws are enforced.
- Don't drink if you're going to drive.

Affordable insurance is our business...and yours.

This message is presented by the **American Insurance Association,** 85 John Street, New York, New York 10038.

Mickey Mouse in Canada

While the statesmen in Ottawa and Washington quarrel about weighty issues like natural gas and fishing rights, American businessmen operating across the border burn about lower-level but equally bothersome problems with our northern neighbors. One is the way petty officials and bureaucrats seem to go out of their way to impose hypernationalistic standards in what should be run-of-the-mill dealings. A U.S. company that uses an American photographer to photograph an important meeting in Canada, for example, can suffer days of delay and pay heavy export duties to get its films home. Such Mickey Mouse strictures may be unimportant in the big picture, but they add up. One multimillion-dollar U.S. service firm, for example, cites such annoyances as a factor in its decision to move its international headquarters from Canada to Switzerland.

Wooing Japan's woodmen

U.S. lumbermen are out to nail down some much-needed new business by changing Japan's traditional homebuilding techniques. The Japanese favor so-called "post-and-beam" construction, placing four-by-four-inch beams atop posts; the U.S. uses a method called "frame" construction, or "two-by-four-inch" technology. The Japanese are major importers of wood from the U.S., but most of it is logs. The Western Wood Products Association (with more than 200 producers in 12 western states) opened a liaison office three years ago in Tokyo to preach the two-by-four doctrine, among other things, to the Japanese in hopes of generating more demand for U.S.-finished products. The conversion won't be easy, though some progress has been made. In 1979, 12,000 of the 1.3 million new homes put up in Japan were built by the frame method. This year total homes are expected to be the same but the number built by the U.S. method is forecast to inch up to about 20,000.

The call to cap and gown

The big universities are accelerating their search for businessmen, rather than academics, to run their graduate business schools. This year alone, Stanford tapped Dana Corp. Chairman Rene McPherson, 55, as its new dean of business; New York University named American Can's Chairman William May, 64; and the University of Virginia gave the nod to a former Xerox president, Robert W. Haigh, 53. Cornell, after a search that lasted almost two years, plumped for Edward Jordan, the 50-year-old chairman and chief executive of Conrail. William K. Laidlaw, director of the American Assembly of Collegiate Schools of Business, says school officials have come to put more value on the relationship between a school and the business community for teaching, job placement and fundraising. David A. Thomas, acting dean of Cornell's business school, adds that the schools feel businessmen give them better visibility in the business community. Although the job descriptions may have been changed to fit professional businessmen, the salaries have remained academic. Jordan, for instance, makes $300,000 at Conrail; at Cornell, he will get about $60,000. So why switch? "I thought it would be challenging," he says. He may also find above Cayuga's waters some welcome relief from the horrendous problems of the moneylosing Conrail, which took over the wreckage of the Penn Central rail lines.

Where the curve is king

Economist Arthur Laffer
His curve is his best pitch.

Arthur Laffer, the University of California economist with the now-famous curve, may be a figure of controversy in most places with his theory that tax cuts can bring increased revenues, but he is a hero in Puerto Rico. The island's governor, Carlos Romero Barceló, has been a fan of the 38-year-old Laffer and his ideas for several years. More important, he has been applying those ideas to his commonwealth's revenue policies. He began with a 5% tax cut in 1977, repeated the process each year since, and plans to keep up the 5% slashes into 1982. The result? Income-tax collections through April of 1980 were 13.5% higher than the 1979 rate. Some officials in Romero's Treasury Department say flatly that the figures prove Laffer's theories. The governor doesn't go quite that far, b comes close. "The things Laffer tc would happen are happening," he Laffer, whose curve has found favor such Republicans as Ronald Reaga Representative Jack Kemp, postu that as taxes move up on his graph, reach a point where revenues beg fall as taxpayer resistance stiffen that point, he holds, a cut means money in the tax collector's till.

The confused headhunte

The headhunters seem to be tracki different directions about the effec the recession on their business. Spe Stuart & Associates, a search firm specializes in top level jobs ($10C and up), says its business is up 36% spite the downturn in the econom new survey of 750 corporations, coll and government agencies by Korn/I International, another major recru however, showed that executive pos those brackets were 3% lower in A May and June than they were in same months last year. It was the drop in the seven-year history of survey. Real estate and financial serv companies, the Korn/Ferry report fo were particularly chary of taking high-priced help right now. Things a too good in the lower brackets, eithe survey of 51 search firms, conducte the Association of Executive Recrui Consultants, found that low-to-mi search orders were off 10%.

Slimming the jumbos

Facing a $1 billion fuel bill this y TWA is watching not only pennies pounds, with a full-scale weight-tr ming program to slim down its w bodies. (One pound on a big plane c the airline $349 a year in fuel and empty 747 comes in at 359,000 poun The engineers are overlooking no bet new carpet with 13.2 fewer ounces square yard saves about $100,000 a y on the 747s (which have 425 ya apiece). Lighter hydraulic fluid sa two-tenths of a pound per gallon. A n combination escape slide and life will trim 2,200 pounds from each airc and $710,000 from the fleet's fuel co putting only one copy of the TWA ho magazine in the seat pockets will s another $343,000. Robin Wilson, the nior operations vice president in cha of the weight watching, is also looki over plans to remove the fold-do coach seat-back (200 to 600 pounc take away the sliding food trays coach riders (90 to 270 pounds) and

r carpeting on bulkheads (80 to 150 ds). TWA may also follow the lead me rival lines and strip the paint its jets, saving 460 pounds on a 747, n an L-1011. About the only items nits to Wilson, in fact, are tires and s, and his job looks like a career. Jet as gone from 11 cents a gallon to $1 in seven years; and Wilson ex- it to climb "probably to more than gallon by the end of the decade."

ow not to say "Please"

rs of government grants should their language. *Grants Magazine*, caters to professors, has compiled of cliches that spell no-no to the rs of Washington's largess. The ten of these "dead metaphors" (as the zine calls them): "a growing body of nce," "a thorough search of the lit- re," "beyond the scope of this ," "contrary to public opinion," ing new results," "fills an impor- gap," "in-depth study," "long-ne- d subject," "tip of the iceberg" and ants further investigation."

Sweat, but no sales

ogging craze and the 10,000-entry hons may give the impression that .S. is a nation of athletes, but you never prove it by the sporting- manufacturers. Sales growth and s hit new lows in the industry last according to the Sporting Goods facturers Association, and "the sit- could be worse this year because recession," says Sebastian DiCa- the group's marketing director. studying the annual reports of 60 ly owned companies, DiCasoli return on sales was only 2.4% in less than half the margin during eak year of 1973. Sales grew only far less than the 13.3% inflation The gasoline scare helps explain of the slump—the drop in camper ecreational-vehicle sales, for exam- nd the doldrums in the boating in- . But golf clubs also leveled off. re aren't that many new golfers g along," DiCasoli says.) Lawsuits njuries allegedly caused by faulty ment have raised insurance costs iscouraged competition. "A few ago," DiCasoli notes, "there were mpanies making football helmets. there are 7." Imports have also -baseballs now come from Haiti; gear from Japan, Taiwan and South . Even jogging, DiCasoli fears, is off nce: "The number of new joggers ailed off." The true fan may be g the $60-to-$70 shoes but the low- ced ones aren't moving.

If you'd like to know more about our water, or the old-time way we make Jack Daniel's, drop us a line.

OF THE 2,531 CAVES in Tennessee, this one in Moore County is particularly prized.

It's fed, you see, by an underground, iron-free spring flowing at 56° year round. Mr. Jack Daniel, a native of these parts, laid claim to the cave in 1866. And from that year forward, its water has been used to make Jack Daniel's Whiskey. Of course, there are hundreds of caves just as lovely. But after a sip of Jack Daniel's, you'll know why this one is valued so highly.

CHARCOAL MELLOWED
DROP
BY DROP

Tennessee Whiskey • 90 Proof • Distilled and Bottled by Jack Daniel Distillery, Lem Motlow, Prop. Inc., Route 1, Lynchburg (Pop. 361), Tennessee 37352

Placed in the National Register of Historic Places by the United States Government.

IT'S WORTH A $60,000 MORTGAGE.

This house is located in a worn-down neighborhood in an American city. The neighborhood is not completely gone, but it's hurting.

Urban neighborhoods like this have the potential to recover—to become places where people would like to live. We'll stake money on it.

PEOPLE MAKE VALUE

Many people feel they'd miss something by living in the suburbs. The city offers diversity, history, culture and convenience. Urban public transportation means freedom from the automobile. Many city houses have character and architectural interest. And since more people still choose the suburbs, housing in the city can be a good buy.

PEOPLE MAKE A MARKET

If people want housing in the city, there can be a housing market in the city. Lenders of mortgage money, recognizing this change, can see that this house is worth a lot to someone. When it is rehabilitated, it will be worth a $60,000 mortgage. We can see it now.

We're Fannie Mae, the Federal National Mortgage Association. We are a shareholder-owned, profit-making corporation, with a specific purpose. Our job is to help meet people's housing finance needs. We don't make loans, but by buying mortgages from local lenders who do, we replenish the lenders' supply of funds so they can grant more mortgages.

In addition to our regular mortgage purchase activities, we have set up a series of special programs that use our position in the home finance market to encourage more mortgage lending in urban areas.

FANNIE MAE'S REHABILITATION LOAN PROGRAM

Under our rehabilitation loan program, a lender would be able to grant a $60,000 mortgage on a house like this, even though in its present condition it may have a market value of only $35,000. Its value, when rehabilitated according to approved, detailed plans, would be about $63,200. A lender taking advantage of this program could grant a mortgage based on the completed value of the house, rather than on its present value. The buyer who is qualified for a 95%, 30-year conventional mortgage would be required to put 5% down and would receive $60,000 as a mortgage loan—95% of the house's completed value. $35,000 would go directly to the seller of the house, and the rest would be placed in an escrow account administered by the lender, to pay for the rehabilitation.

Home buyers used to have to go out and persuade someone to give them a construction loan for the rehab work, with separate transaction costs, a short-term payback and a higher interest rate. Now they don't have to.

GETTING THE WORD OUT

If no one knows about our programs, they won't do much good. Fannie Mae people from each of our five regional offices go out into the cities and tell lenders what kinds of mortgages we will buy.

We also try to convince them of what we already know—that making urban loans is good business for us, for lenders and for the community. People want urban homes, and Fannie Mae believes that properly underwritten urban mortgages carry no more risk than those on suburban properties.

LOCAL PARTNERSHIPS

We work with community groups, local governments and local lenders to get neighborhoods turned around. It's already working in neighborhoods in such cities as Memphis, Philadelphia, Los Angeles, Toledo, Seattle, and Dallas.

The city government has to be involved, because a neighborhood will not improve unless essential services are maintained or re-established. Building codes have to be applied sensitively to rehabilitated structures.

And there must be a lender committed to lending mortgage money. Community groups have often seen lenders as unapproachable. They're not. Fannie Mae is in a good position, with its ongoing relationship with many lenders, to bring them into the partnership.

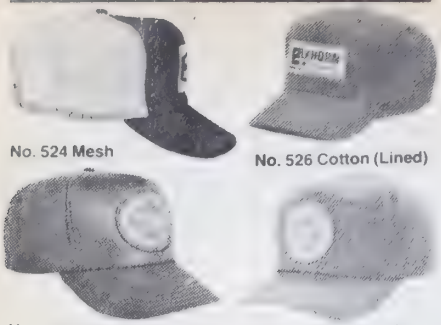
But most important, people in the community must make a commitment to preserving and improving their neighborhood.

People want to live in cities. That means there is economic life to be brought back into cities as well. It is people who make this house worth a $60,000 mortgage. All our complicated real estate and financial transactions are, simply, a response to what people want.

WHAT IS FANNIE MAE?

Fannie Mae, the Federal National Mortgage Association, is a shareholder-owned corporation which helps meet people's housing needs by supplying money to the home mortgage industry. Since 1968, our investment in mortgages has financed housing for close to 3 million American families. Federal National Mortgage Association, 3900 Wisconsin Avenue, N.W., Washington, D.C. 20016.

FANNIE MAE America's Mortgage Resource



ADJUSTABLE CAPS

WITH EMBLEMS USE FOR:

Safety awards, incentive for production goals, product promotion, advertisement, conventions, company picnics, trade shows, attendance awards.

Choose the cap that fits your need. Send us a copy of your logo or a rough pencil sketch and we'll do the rest. Your emblem expertly made and sewn on the best caps available

Please furnish the following information:

- **Style No.** _____ **How Many**
- **Copy For Emblem**
- **Color** _____ **Royal Blue, Navy Blue, Red, Black, Orange, White, Gold, Kelly Green, Brown.**

Price includes one 1-color emblem sewn on front of cap.
(MINIMUM ORDER — 72)

72	144	288	432	864	1728
$3.65 each	$3.10 each	$2.95 each	$2.85 each	$2.75 each	$2.65 each

CARDINAL CAP & JACKET CO.

HIGHWAY 460-36 BOX 275
GRUNDY, VA 24614

Toll Free 800/336-0551

Alaska, Hawaii and Virginia CALL COLLECT 703/935-4545

OLYMPIA BEER STEIN OFFER

Enjoy the great taste of Olympia beer in handcrafted, imported glazed ceramic turn-of-the-century beer steins Each is a fine replica of old-time Bavarian steinware. Available with or without lid. Now offered at special "old-time" prices:

Please send me postpaid the following.

Oly Stein Offer
P.O. Box 2008, Dept. 35
Olympia, WA 98507

_____ 21 oz. Oly Stein(s) with lid at $16.95
_____ 21 oz. Oly Stein(s) w/out lid at $9.95
_____ 16 oz. Oly Stein(s) with lid at $8.95
_____ 16 oz. Oly Stein(s) w/out lid at $6.95

Enclosed is my check or money order for $ _____
Please charge my ☐VISA or ☐MASTERCHARGE card
Please write your card number in the space below:

X _____
(Your signature as it appears on credit card.)

NAME
ADDRESS
CITY STATE ZIP

Prices include taxes and shipping charges. Offer good while supply lasts or until December 31, 1980. Offer good only in continental United States and void where prohibited or restricted by law

Olympia, WA

Follow-Through

The greening of Ireland

Michael Killeen, head of Ireland's Industrial Development Authority, has a job that FORBES once compared *(Apr. 1, 1977)* to the punishment meted out to the mythical Sisyphus—to roll a stone endlessly up a hill, then watch helplessly as it slipped back to the bottom. Last year the IDA created 34,000 new jobs in Ireland, 4,000 over its goal. Yet unemployment, close to the highest in Europe, climbed from 7.9% in 1979 to 8.1% this year and population, spurred by a birthrate that is the highest in Europe, climbed another 1%, to 3.4 million.

The pressure to keep struggling with the stone is thus greater than ever and unemployment is only part of it. Tourism, one of Ireland's big moneymakers, was a shambles last year when strikes closed down the mails and the telephone service. This year Aer Lingus, the national airline, was hit with a strike of maintenance crews that forced it to end flights in Shannon, so that passengers headed for Dublin had to endure an extra four-hour bus ride, getting this year's tourist trade off to a reeling start. And along with everyone else, Ireland is battling inflation (close to 20%), energy costs (it imports 80% of its energy, 100% of its oil) and, of course, the recession.

Trouble, however, is as native to Ireland as the shamrock. Desmond O'Malley, the cabinet officer who oversees IDA, finds solace in the fact that U.S. firms, which already account for 260 of the 750 foreign companies in Ireland, are still coming over at a rate of 50 a year. During the past month and a half alone, General Electric signed on for 500 jobs and a $90 million plant in Dublin to manufacture industrial diamonds (or "superabrasives," as GE calls them); Bausch & Lomb got set to make soft contact lenses in a plant in Waterford that will open with 50 employees and move up to 600 by 1983; and IMED, another U.S. health-care firm, agreed to spend $13 million on a plant in Letterkenny, County Donegal, in the west of Ireland, to make electronic medical instruments.

This wave from the west keeps O'Malley and Killeen from giving way to tears. (The IDA chief, in fact, expects a record in new investment from the U.S. this year.) Killeen does grant that a recession in the U.S. and Europe certainly bodes no good for Ireland, but he also thinks that some segments of industry will escape the worst of the downturn. Two of these, he is betting, are electronics and health care, and they are the principal targets for his corps of IDA missionaries.

The U.S., with $1.8 billion invested in Ireland, will continue to be the prime hunting ground for the IDA. But it won't be the only one. The bigger pro those with 200 jobs and up, are should continue to be American. Bu Germans, Killeen notes, with more 120 companies in Ireland, have four tax incentives a lure for smaller, fa owned firms employing 75 or so. O ley also takes a bow for a three-yea IDA program to promote small companies with fewer than 50 or payroll and capital under $750,000. ing the past three years, he says, numbers have tripled, with 80% of products going into the Irish market leen, too, emphasizes smaller firms quotes an MIT study showing that panies with fewer than 20 empl generated 60% of all new jobs in the between 1969 and 1976.

Ireland has modified its openha tax benefits but they are still gene Companies already in the country that sign up this year) will pay no t

on exports until 1990. After 1980, manufacturing company, foreign or I will pay more than 10% on any o income. (Rates now run up to 45%.)

Tax breaks and the IDA's help land and turnkey plants will contin be strong selling points. But the l force has equally strong attractions. young (half the Irish are under 25), glish-speaking and well educated (stay in school until age 18 and 40% g to higher education, including seven government-created technical scho six of which confer degrees).

Irish unions also have been coop tive ("patriotic" is the word used by N Crowley, head of Allied Irish Banks 1978 O'Malley persuaded labor to raises to 8% (they wanted 12%) and t helped work Ireland's inflation rate d from 13% to 7%. Now, however, at l some workers have bared their te Construction crews at the alumina-p site on Aughinish Island in the Shan Estuary staged wildcat strikes that s down the $650 million project—big private one in Ireland's history—for

ıs. Aer Lingus mechanics resisted from on high to save the tourist ess and stayed out for three weeks settling.

ɔr relations in Ireland can be com-ed. The country has more than 90 s (compared with 20 in West Ger- and there is no law governing tive bargaining as there is in the Vith unions representing 75% of nfarm labor force, it is small won-lleen recommends strongly that mers hire Irish personnel direc-he stoppage at Aughinish, because e size of the Canadian-British-can project, caused real jitters and ıe IDA admits it cost them at least erman industrial prospect. Minis-Malley argues that 90% of the 750 firms in Ireland have had no at all and only 5% had one lasting han two days.

Ireland's productivity continues plus. John Bertrand, the American ıns the A.O. Smith plant near Dub-ıich turns out 8% of the $50 mil-orth of pumps Smith makes), says tivity there is at least as good as in S. So far this year, Killeen says, per man-hour in Irish manufac-has gone up 4.5%, while France ly a 2% rise, West Germany 3% eat Britain a 1% decline.

t of the future? Oil will continue Ireland's inflation as Dublin has trol over what its suppliers (Saudi Iraq and the Soviet Union) will for it. There could be hope—Mackenzie & Co., a prestigious rgh brokerage firm and North Sea cialist, reported last month that shore fields under exploration in lantic west of Ireland could make untry self-sufficient in oil for ten starting in the mid-1980s. Dublin, se, can't wait for that, even if the turn the prophecy into fact. And Killeen and O'Malley take great ɔking west to the U.S., they can e major trouble in the other direc-Great Britain still accounts for Ireland's exports (mainly agricul-ınd 46% of its imports—and the economy is in waters as deep as 's oil.

ɔublin is priming the pump with money—a ten-year, $2.4 billion n to replace Ireland's charming tally inefficient road net; a $1.3 plan to transform its crotchety ɔnes into an all-digital system over t three years.

ıwhile, O'Malley, Killeen & Co. ve to keep straining at their uphill The pressures—social, economic st but not least, political—are cer-ıot going to let up. Not only is half nd's population under 25. A quar-t is under 14—and Irish citizens rt to vote at age 18.

MICRODICTATION

IT'S A WHOLE NEW WAY TO DICTATE

Dictaphone's Microdictation offers you Micromite, a full-featured portable that lets you capture every idea instantly—any place, any time. Micromite uses small, easy-to-use micro cassettes. It has our exclusive Q-Alert, so you can "flag" special instructions for your secretary. And it's compatible with our new Micro Master, the first desktop system with microprocessor technology.

Dictaphone
A Pitney Bowes Company

For more information, fill in the coupon or call toll-free:
800-431-1708
(In New York, call 914-967-2249) TF-80

Name _____ Title _____
Telephone _____
Address _____
City _____ State _____ Zip _____

Mail to: Dictaphone Corp.
105 Oak Street Norwood, New Jersey 07648

Dictaphone, Micromite, Micro Master, Microdictation, and Q-Alert are trademarks of Dictaphone Corporation, Rye, N.Y.

DON'T KID YOURSELF!

We won't sugar-coat the risk, or short-change the potential in commodities.

We're the Newport Trading Company. A new company with some fresh ideas about Managed Accounts. We level with you. We tell you it's risky.

And, we offer five distinct programs, designed to meet a variety of investment objectives. For instance, our series IV Program—the "Inflation Hedge"—deals in precious metals, foreign currencies, and interest rate futures. Series V deals solely in interest rate futures. And our three additional programs zero in on other specific markets, or combinations of markets.

We even admit that only three things make us more capable of investing your money than you: the time to follow the trends and digest the input that's at our disposal; the experience to analyze those trends; and the discipline to keep our emotions apart from our investment decisions.

And that's it. We're not magicians, we're professionals.

For more straight facts about Newport Trading Company's Managed Account Program, mail-in the coupon below or call now Toll Free.

Call Toll Free (9 AM-5 PM Pacific Time)
800-854-6973 In California Call Collect **714-851-0911**

Yes! I want the straight facts. Send me complete details on Newport Trading Company and your Managed Account Program

Name _____
Address _____
City _____ State _____ Zip _____
Home Phone _____ Business Phone _____

NEWPORT TRADING COMPANY

Newport Trading Company, a member of the COMARK group is registered with the C.F.T.C. as a Futures Commission Merchant

4041 MacArthur Blvd., Newport Beach, CA. 92660 FO811ME

Items of interest from issues of FORBES of 60, 50 and 25 years ago.

Sixty years ago in FORBES

This publication's advocacy of granting vacations to workers is bearing fruit. More plants are this summer closing for one or two weeks than ever before. Full pay is not allowed in all cases, by any means. Some concerns grant half-pay, but the more general rule is to pay only those on salary, not those who get over-time pay for every hour of over-time they work. Even where no pay is granted it is better that all workers should have a week's rest than none at all.

Steel companies have laid away such substantial amounts of surplus earnings out of their phenomenally large war profits that their bonds are among the most attractive of the whole industrial bond list. Interest charges are generally covered by such a wide margin of safety that the mortgage securities of these concerns have little or nothing to fear from even a fairly long period of depression. In addition to the well-bulwarked position of steel company bonds, most of these securities are protected by sinking funds which reduce the floating supply. . . .

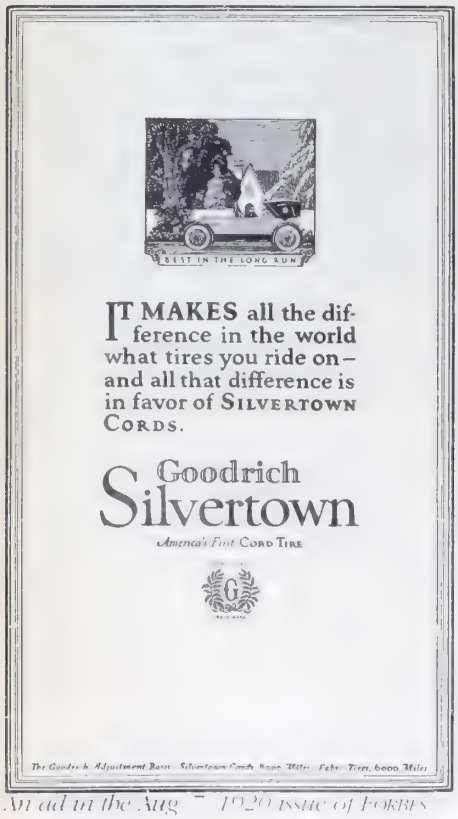
Fifty years ago

What the public would like to know is how all these modern gigantic consolidations are destined to affect them. The public take it for granted that all these huge deals are vastly advantageous to those engineering them—otherwise they would not be engineered. But neither Morgan & Co. nor any other merger-makers have taken adequate pains to convince the public that billion-dollar combinations will make ordinary families happier or richer. Indeed, there is a growing disposition to blame large-scale mergers for much of the recent widespread unemployment.

Morgan & Co.'s Morgan and Thomas Lamont
From reparations to consolidations.

Three thousand industrial plants, 200 motion picture theatres, a few office buildings, a dozen department stores, seven banks, many industrial offices and some residences now are supplied with "conditioned air," or manufactured weather the year round. Conditioning air requires current for refrigeration, motor-driven fans and pumps. To produce cooling equivalent to one ton of melting ice requires electric current of about 1 horsepower. D.C. Lindsay and W.B. Spooner, Jr., of the Carrier Engineering Corp., estimate the following potential electrical demand due to air conditioning, entirely aside from industrial plant uses, within a very few years:

Source	Horsepower required daily
3,000 theatres	225,000
500 big stores	200,000
36,000 residences	540,000



An ad in the Aug. 1, 1920 issue of FORBES

Twenty-five years ago

The race to place orders for j transports may soon become a s ble. Continental Air Lines, foll the lead of Capital, has options to fleet of British-built Vickers Visc while National Airlines has becom second domestic operator (the American Airlines) to buy Lockl turboprop Electras. Any day now, ern and United are expected to f suit with big orders for jet and/or t prop airliners.

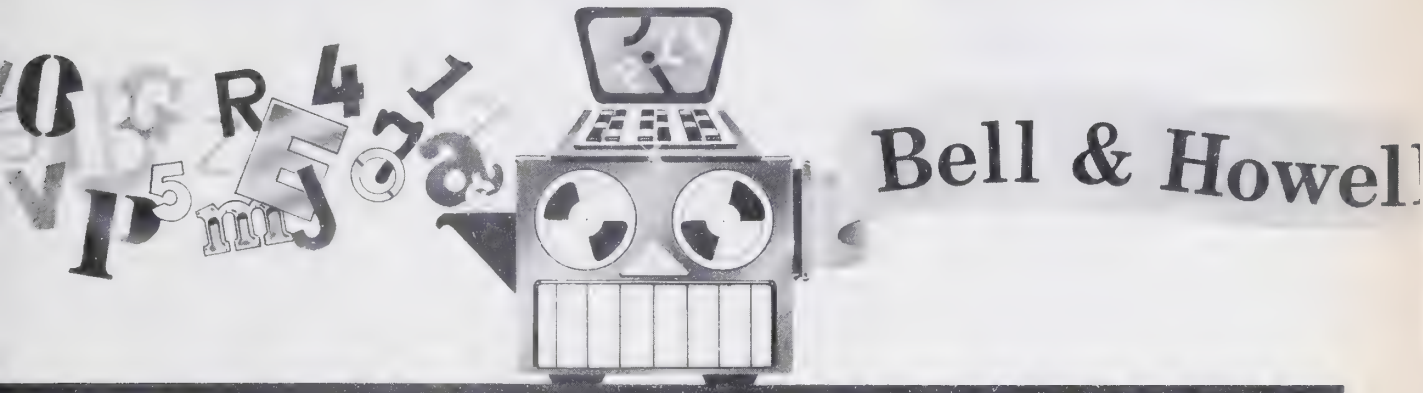
In recent years of unprecedented p time prosperity, the farm equipme dustry has often been referred to a Wall Street as "the industry the i passed by." Farmers, though still tively prosperous, were making do old tractors and threshers as their income slipped from a 1951 high of billion to $12.5 billion last year. . . month, however, the hard-pressed equipment makers were beginni smile again. Industry sales were up over last year and profits showed greater improvement. For one t farmers began spending more freely last year's southwestern drought se safely behind them.

Influx of Puerto Ricans to Mainland cities is attributed by economists to of jobs in the home island. To count this job-hunting migration the C monwealth Government launched eration Bootstrap," which has attra 411 new factories to the scenic is less than five years. The lures: plen labor, total freedom from U.S. fe income taxes, 10-year exemption local taxes. So far in 1955 such big f as Carborundum, Beaunit Mills Remington Rand have opened branch plants in Puerto Rico.

Europe's industrial boom is defin outpacing our own. Last year, a peri mild recession in the U.S., European duction was up 9% and so far in transatlantic output has spurted and 5%. Old World's thriving chemical dustry, strengthened by recent tra sions of U.S. know-how, has been g ing twice as fast as our own test-tu since 1951.

Good news for savers. Reflecting in the growing demand for home m gages, Manhattan's big Dime Sav Bank has boosted its dividend (inte rate from 2¾% to 3%. Bankers ex that other New York City savings have to match Dime's offer.

Quite simply, this is what it means o be an information systems company.



Information is knowledge. To work for business, government, education or industry, it has to be controlled.

To control information is to store it, retrieve it, distribute it or display it. And that requires the creation of functional innovations.

When these innovations interact, a system is created that makes information work. An information system.

Bell & Howell provides microimagery systems, mail and remittance processing systems, video and learning systems, and electronic instrumentation systems to accomplish this end.

Our business is information. And our job is o make information work by providing the means o control it.

Quite simply, Bell & Howell is one of the eading suppliers of information systems in the world oday.

Information is the business of today's Bell & Howell.

you would like to know more about what Bell & Howell is doing in the field of information systems today, call or write James Ritchie, Staff Vice President, Corporate Relations, BELL & HOWELL, 7100 McCormick Road, Chicago, Illinois 60645 (312) 673-3300.

DO-IT-YOURSELF ROOF SPRAY SAVES MONEY

The cost of roofing contractors has gone out of sight. The Do-It-Yourself Randustrial® Roof Spray Process is the way to keep roofing costs in line this year. Your own men do the work and we provide the equipment and know-how at no charge to you. The process is so simple that your unskilled laborers achieve professional results. Inquire today for details and your free copy of our new 64 page 1980 Roofing and Maintenance Catalog.

☐ Show me your color roofing movie.
☐ FREE 64 page Maintenance Catalog.

NAME
TITLE
COMPANY
ADDRESS
CITY
STATE, ZIP
TEL. NO.

Randustrial Corporation
Sales Offices in Principal Cities

13306 Union Ave./Cleveland, Ohio 44120
Phone: (216) 283-0300

CHANGE OF ADDRESS

If you are moving, let us know six weeks before so we can keep Forbes coming. Enter your new address on this form and return it with a recent mailing label from the magazine.

NEW SUBSCRIPTION

To order Forbes, enter your address on this form and check the subscription you prefer. ☐ 1 year $27.00 ☐ 3 years $54.00 (the equivalent of one year free). Canadian orders, add $4 a year. Pan-American and Caribbean orders, add $5 a year; other foreign, add $15 a year.

Subscription Service Manager
Forbes, 60 Fifth Avenue
New York, N.Y. 10011

ATTACH MAGAZINE MAILING LABEL OR WRITE SUBSCRIBER NUMBER HERE
(see above name on label)

Name (please print)

New Address

City

State Zip

Date of Address Change

Readers Say

Shipping fuel for flyers

SIR: I thought your article ("The age of aircraft carrier diplomacy," *July 21*) was excellent, as did several others who understand the problem. While discussing seapower with those who insist that we will simply fly our forces to the Middle East, you can point out that for every ton of supplies flown to the Persian Gulf area, it takes about 7 tons of jet fuel. There is plenty of fuel in the Middle East, but it happens to be in the crude form. Most of it is refined elsewhere. This means that ships will be required to transport jet fuel.

—Thomas H. Moorer
Admiral, U.S. Navy (Ret.),
Former Chairman,
Joint Chiefs of Staff
Washington, D.C.

Mission impossible

SIR: Contrary to Edward Luttwak ("A critical view of the U.S. military establishment," *May 26*), our soldiers do not loaf around their barracks.

The resources we lack are compensated by the countless training devices we have developed to accomplish meaningful training.

Luttwak comments that our combat units are filled with the "dregs"—"dregs" do not consciously and voluntarily become involved in a situation where they may be asked or told to put their life on the line.

Our biggest fault is that we are guilty of trying to accomplish an impossible mission with insufficient resources.

—Jamie W. Walton
Lieutenant Colonel, Infantry,
U.S. Army
APO New York

U are wrong

SIR: Re your comments on the U- and L-shaped sofas ("Of All Senseless Pieces of Furniture, *Fact and Comment, July 7*). There are thousands of Americans enjoying the Sunday papers or a good snooze on the "dumb" sofa.

—Stephen H. Kiviat
President,
Atelier International, Ltd.
Plainview, N.Y.

SIR: After five years of hinting, begging, pleading and promising anything, I finally got my husband to say "yes" to buying an L-shaped sofa for our den.

Do you have any idea how far your comments set me back? Thanks to you I may forever sit correctly, but uncon ably, in a chair where I can dangl feet but never curl up!

—Barbara Haselton
Nashville, Tenn.

SIR: You recently caused me proble I've just placed an order for a lar shaped sofa.

—Dennis P. Slevin
Pittsburgh, Penna.

SIR: My wife and I are very comfor on our L-shape as we both can reclin right angles) and fall asleep while w ing the "wasteland of TV."

—Lawrence S. Wagner
Roosevelt, N.Y.

He's no Lorenzo

SIR: It was quite a surprise to find Lor de' Medici and myself headlining th est installment in the ongoing series futably proving—once again—that O and petrodollar recycling are bringin world to an end ("Walter Wriston, Lorenzo de' Medici," *June 23*).

Lorenzo's primary job was as hea government. Also, the cultural activ he's so remembered for took up a l his time and attention. So it's un standable that his management of i national banking tended to slide.

You can't have government lea running banks as secondary respons ities and expect the bank to prosper sophisticated, competitive world. Lo zo proved that better than anybody.

—Walter B. Wriston
Chairman,
Citibank
New York, N.Y.

Penny-ante nuisance

SIR: The June 23 article on "The pe pinchers" misses the point. Pennies not saved as potentially valuable. T are cast aside as worthless, a nuisa an unnecessary pocket weight, a co sion while feeling for tollgate money

—Edward S. Stimpson Sr.
Wellesley Hills, Mass.

No delivery cutbacks

SIR: You said that the Columbia System has had to reduce gas shipme to its customers as a result of the in ruption of LNG sales to El Paso by A ria (*June 23*). Columbia has not hac reduce any deliveries to any custom because of the temporary impasse c

pricing. President W.F. Laird ad-
tockholders last Apr. 17 that "the
Algerian gas will not adversely
Columbia's ability to serve its
ts and fill storage this summer. If
nal gas is needed during the 1980-
nter, we are confident it can be
ed."
Quayle
sident, Corporate Communications,
ia Gas System Service Corp.
gton, Del.

Fan mail

our July 7 Fact and Comment is
g to brag about.
swipe at federal employees—the
a that the only "real" jobs are in
vate sector. The dams built on the
bia River were called boondoggles
w Deal "make work projects" in
ays, but I am reaping the benefits
when I pay my light bill.
nother pitch for nuclear power
gnores the risks involved.
ast, your comments were better
ose of your son in his "Let's not
with Alaska." Can't he do better
e old "permanent deep freeze"
nt? Once public lands pass into
vate sector, school is out.
W. Nelson
Wash.

Correct conversions

your Statistical Spotlight on junk
July 7), you did not have the right
tion on conversion terms for five
convertible bond issues. The cor-
ures (shares per $1,000 bond) are:
nan, 40.86; Gulf & Western,
Mapco, 21.86; Oak Industries,
Wang Laboratories, 25.89.
Pantry
k, N.Y.

I'm in FORBES

an't wait to tell my old man, the
Alabama truck driver, that I
ORBES with your reviewing my
ng Gone (Fact and Comment, July
lawyers and my ex-wife's lawyer
IRS and legions of others will be
to see my name there when I
ven keep my checking account
.
digress. Thank you very much for
g to point a finger at *Long Gone.* It
that Steve McQueen will play
ntrell. I will, of course, believe it
see it.
fiably,
Memphill
Ga.

In 7-1/2 minutes you'll know this expert's commodity trading skills.

Robert Fink is director of the Heinold Commodities Managed Account Program. Hundreds of people rely on what he knows for success in the commodity markets. To put his knowledge to work for them, they must open minimum $20,000 managed accounts with Heinold Commodities.

Now, Mr. Fink has made a 7½ minute tape in which he describes trading techniques necessary for success in the commodity markets. It's yours FREE by returning the coupon below.

It could turn out to be the most valuable listening you've ever done in your life.

HEINOLD COMMODITIES INC. Affiliated with Heinold Hog & Cattle Markets

222 S. Riverside Plaza
Room 420—Dept. A
Chicago, Ill. 60606

Clearing Member of All Principal U.S. Commodity Exchanges

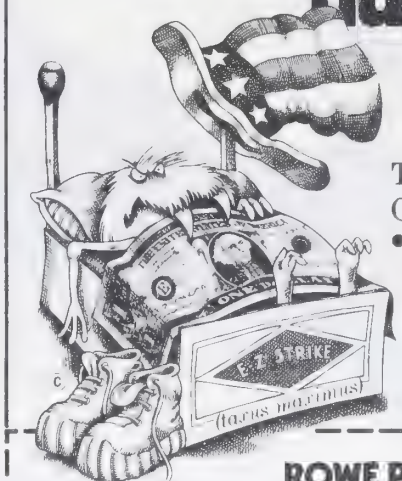
Call Toll Free 800-621-0266; Illinois 800-972-0022

☐ Please send me the Heinold Managed Account prospectus and cassette tape.

Name _____
Street _____
City _____ State _____
Zip _____ Phone _____

FOR 08

Send your Tax Bite to bed... hungry.



Get your Tax Bite off its feet (and off your back) for a bit of welcome relief . . . with the Rowe Price Tax-Free Income Fund.

Consider these advantages:

- **Tax-Free**—no income tax for the IRS*.
- **No-Load**—no sales charge or redemption fee.
- **Immediate Liquidity**—by calling toll free or simply writing a check.
- **Low Minimum**—as little as $1,000 can start you receiving tax-free income.
- **Easy To Purchase**—send in the coupon or call toll free **1-800-638-5660.** If busy, or in Maryland, call **301-547-2308** collect.

ROWE PRICE TAX-FREE INCOME FUND, INC.
100 E. Pratt St. Baltimore, Maryland 21202

Name _____
Address _____
City _____ State _____ Zip _____

For more complete information, including management fee and other charges and expenses, obtain a prospectus. Read it carefully before you invest or send money.
*Income may be subject to state and local taxes.

A6

© 1978 T. Rowe Price Associates, Inc.

MCDONNELL DOUGLAS DC-10

EAS AT WORK FOR YOU.

he DC-10 flies as far as the moon and back wice a day.

480,000-mile round-trip to the landscape—quite a journey. the worldwide DC-10 fleet flies quivalent of two such trips every e day, enroute to 170 cities in ountries. And it carries 150,000 engers a day, in spacious, quiet ort. In all, more people have DC-10s than live in the e U.S.!

big and comfortable as it is, the 0 is also easy on fuel. The short- e Series 10 is the second most efficient commercial jetliner in kies.

the fuel miser.

e new DC-9 Super 80 is the per one fuel-saver—40 percent fuel efficient than today's most y flown jetliner.

Passengers love its roominess, with seats every bit as wide as those in the jumbo jets.

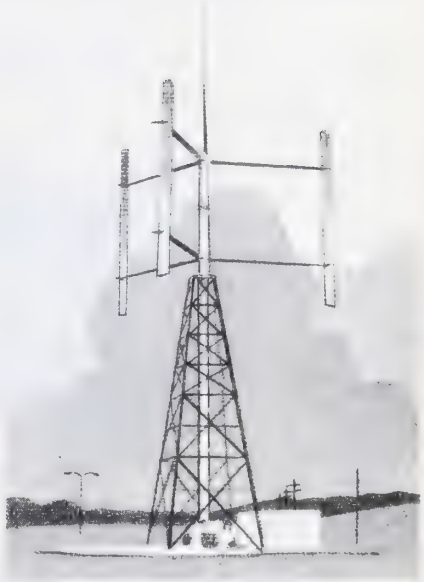
And the Super 80 is quiet both inside and out—quieter than any commercial jetliner now flying with major airlines. That's good news not just for passengers, but for airport neighborhoods, too.

Searching and researching for alternate energy sources.

McDonnell Douglas is hard at work on a number of advanced research projects to help meet the world's future energy needs. Here are just three:

A solar power plant we've designed and are helping to build for the U.S. Government is a giant step toward the development of solar energy. What we learn from this plant, called Solar One, may one day provide the power source for irrigation, crop drying, desalination, refrigeration, space heating and cooling—even enhanced oil recovery.

Our work in fusion energy is making progress, too. We've helped develop a device to generate power to light the way for nuclear fusion. With our help, this safe, clean, abundant energy source may well become a practical alternative by the end of the century.



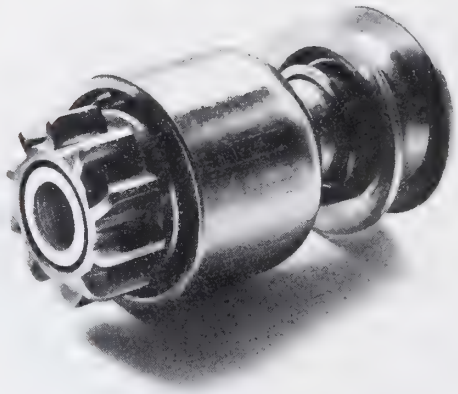
Whichever way the wind blows, our Giromill will capture it and convert it to electrical or mechanical energy. Now under test, this giant windmill can generate enough electricity for 15 homes, or run deep well irrigation pumps for hundreds of acres of farmland.

Learn more about our ideas and how they work for you. Send for our free booklet, "What We Do." Write McDonnell Douglas, Box 14526, St. Louis, MO 63178.

MCDONNELL DOUGLAS

JOB? LET'S SWAP RESUMES SEND YOURS, WE'LL SEND OURS AN EQUAL OPPORTUNITY EMPLOYER WRITE BOX 14526, ST LOUIS, MO 63178

THE COST OF WAITING FOR SOMETHING CAN BE MORE EXPENSIVE THAN THE THING YOU'RE WAITING FOR.



Some companies have already figured this out.

A leading tractor manufacturer has calculated that it could cost the farmer $200 per hour to wait for a tractor part during the harvesting season.

So they have encouraged dealers to ship parts for "down" tractors by Federal Express.

And what's true for tractor parts is true of other things, too.

Anytime anybody in a company has to wait for anything, be it a part for a corporate plane, a machine motor, a computer part, document, blueprint or report, it costs a lot of money.

Because that person is not working on the project he or she should be working on.

And all the other people waiting for that person's project cost money too.

Like a logjam, waiting can slow down an entire company.

With Federal Express, just the opposite is true.

We invented a system to get a package or envelope clear across the country overnight.*

Absolutely and positively.

And because it all happens while you sleep, you don't lose any time during the day.

This means when you use Federal Express, *you never have to wait for anything ever again.*

Imagine what that could do to your career if you started getting things done faster than anyone else.

Imagine how your company would look if it never made anyone wait for anything ever again.

And imagine what would happen to this country's productivity if we cut out waiting from our daily routines.

Our prices start at only $19.00, including pickup, flight, and delivery, which is less than the hidden cost of waiting for just about anything.

So call us toll-free at 800-238-5355. In Tennessee, call 800-542-5171.

And see what it's like not to have to wait for anything anymore.

That's a bargain at almost any price.

* Monday through Friday. Saturday delivery by special request at an additional service charge. © 1980 Federal Express Corporation. All services are subject to the current Federal Express Corporation Service Guide.

FEDERAL EXPRESS

WHY WAIT WHEN YOU DON'T HAVE TO?

For a copy of our latest annual report please write to: Mr. Daniel N. Copp, P.O. Box 727, Dept. 371, Memphis, TN 38194

Fact and Comment

By Malcolm S. Forbes, Editor-in-Chief

GIVING JIMMY CARTER CREDIT THESE DAYS

h of anything isn't a likely happening but he deserves ıts for the synthetic fuels bill—despite the scars and it suffered while being dragged through a kicking and ng Congress. As Carter observed at the signing, the "will dwarf the combined programs that led us to the ıd built our interstate highway system. This legislation p create at least 70,000 jobs a year to design, build, and supply resources for synthetic fuels plants."

swift implementation of this multifaceted approach, ıing to see heartening, maybe even startling, progress sooner than expected in lessening our crippling dependence on OPEC oil.

And the President can't be blamed for the confounding, abysmal blindness of virtually all House Republicans (125 out of the 134 voting) and nearly half the Democrats who joined to kill the Energy Mobilization Board. Most of these Very Same fulminate in election speeches about federal red tape strangulation. The proposed Board they killed would have bypassed some of the regulatory hurdles that keep major energy projects from ever getting under way.

MEANTIME, IT'S PERILOUS FOOLISHNESS

e filling our salt domes with needed oil reserves while, ıonce, there's spare oil around to do it with.

ıg Saudi "permission" to do so would be stupid beyond rom domestic and soft spot markets or just regular we should be filling that emergency reservoir on which ival could well depend in the event of any sudden further Middle East upheaval—which is always a possibility at any moment. Just as Saudi Arabia and other moderate Middle East countries depend on the U.S. umbrella to save them from overt or covert U.S.S.R.-backed overthrow, so do we depend on an oil stockpile to provide to us and the world the possibility of pause before a precipitation of unfathomable dimensions.

WE'RE ALL SO LUCKY SO MANY CAUGHT ON

to Teddy Kennedy's woeful lacks as a possible President. Imagine—his biggest achievement in assaulting the Carter people's planned party platform is the inclusion of a plank to do away with nuclear power.

SECRETARY BROWN MAY HAVE BEEN A WHIZ

campus and at the blackboard, but he's e only bomb our military has these days.

en speculated that John Connally is being ed by Ronald Reagan as Secretary of De- ould the Republican standard-bearer win vember. Now that would really be the right ıe right hole.

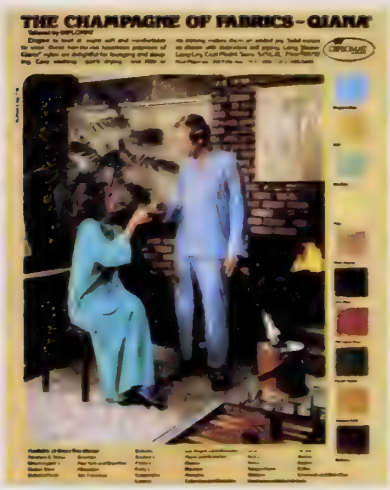
Secretary of the Navy, he knows something about the business of the military. Once Secretary of the Treasury, he knows a bit about budget and inflation, and he knows quite a bit about politics and the workings of Capitol Hill.

John Connally is a tough, driving doer and if ever a vital cabinet responsibility needed those qualities, the Defense Department most urgently does right now.

SAME IDEA, BUT ONLY ONE'S A WINNER

Dean Witter Reynolds' Janice Dickson sent in these two advertisements, which appeared in the *New York Times Sunday Magazine* section and she wrote: "In which situation would you like to be? My vote goes to the one on the left."

Would any FORBES reader vote otherwise?



MOVIE REVIEWS

Airplane—May never play on airplanes, but it's the year's most playful movie. The gags fly at supersonic speed and not many miss. You shouldn't. **Blood Feud**—In Sicily on the eve of Italy's dark Black Shirt days—then, as today and doubtless tomorrow—men play mighty rough with their (and others') women. Lina Wertmuller's photography is beautiful and Sophia Loren's acting is as impactful as usual. In this story of her three great Loves, only the end is actually bloody. **Blue Lagoon**—The critics panned it but people have been queueing up to see it, I guess because of the reported nubial nudity and the Robinson-Crusoe kids' discovery of sex. Both the stars are pretty, but their acting is almost as bad as the dialog. If Adam and Eve had taken as long to get to it, few of us would be here. **The Tin Drum**—A powerful movie drenched with symbolism about German dichotomies. Grossly gripping, b fun at all. **Urban Cowboy**—It's bombing at the box offic don't feel too out of it for finding this Travolta more te than entertaining. No "Saturday Night Fever" running

Brubaker—An intense film about the stuff of which pri prisoners and their keepers are made. No real answers t harrowing realities of the problem are provided in the fi any more than in actuality. How, by 5 to 4, our Supreme could rule—as they unbelievably did—that a Texas law re ing life sentences for persons convicted of a third felony "cruel and unusual punishment," is hard to believe. The B Court did just that in a case of a man whose crimes inv the total loss of $229.11. I'd suggest this film, with all flaws, is one those five judges should see.

RESTAURANTS–THIS ROUND, NO RED LIGHTS

Vienna '79—320 East 79th St. (Tel: 734-4700). A fabulously, deliciously different addition to the topmost ranks of the New York restaurant scene. In Vienna itself I have not tasted better Austrian dishes—and seldom as good. Superb service in a quietly refined setting. If you are able to get a reservation (it took me four tries), do.

Madame Romaine de Lyon—32 East 61st St. (Tel: 758-2422). If ever you yen for an omelette at lunch, here is where they're at—about 550 kinds. From hot brioches or croissants through the infinite variety of ingredients, all is fresh and tasty.

Greene Street—101 Greene St. (Tel: 925-2415). Inside a dramatic transformation of a former garbage-truck garage, exceptionally good food is served brightly, with a jazz show at 11 p.m. for late eaters and tuneful pianoing for earlier diners. All is at a most feasible fee—with cocktails, a decent wine and three splendid courses for two, the tab with tip was under $70.

The Oyster Bar—Grand Central Station (Tel: 599-1000). This famed commuters' seafood port was reborn in a huge, dramatic basement setting. For those who love absolutely fresh, straightforward seafood at reasonable (that's a relative term these days) prices, you can't go wrong. The accoutremental dishes are eminently avoidable, though. A good place to feed when with kids, grannies or other necessitous groupings.

Pen and Pencil—205 East 45th St. (Tel: 682-866 recent years, the Pen and Pencil's fame as a steak house w longer justified by the taste of the output, spotty service extravagant price. But all three have shown improvement

Da Silvano—260 Sixth Ave. (Tel: 982-0090). A t star Village delight. In a storefront setting a lucky two doz so can enjoy a nonrigorous sort of *nouvelle* cuisine, Ita style. *Scampini in graticolo, crostini,* the pastas, the dishes are not excelled anywhere in the Big Apple. We got lunch with no trouble—a hurricane was about to hit. O wise, reserve well ahead. 'Tis well worth it.

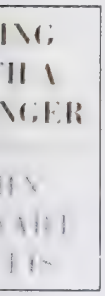
The Quilted Giraffe—955 Second Ave. (Tel: 753-5 An exciting (though pricey) addition to the French *nou* cuisine scene. The chef-owner comes by way of the Midw Wall Street lawyering and a Catskills restaurant tryout t deserved success in this toughly competitive New York di genre. A place for delicious lunch, too.

Ma Maison—8368 Melrose Road, L.A. (unlisted 213-655-1991). Speaking of Los Angeles restaurants (which seldom does), this is both In and deserves to be. The best I k in a town where tasteless restaurant pretensions, *i.e., L'E tage,* often overwhelm what are frequently tasty dishes.

Runestruck—by Calvin Trillin (Little, Brown & Co., $7.95). A very funny spoof on what happens to a Maine hamlet when a couple of local jokers find a stone with Runic writing indicating the area is Leif Ericson's Vinland.

Excerpt: *DiCarlo said, "Of course we need a Viking Village. Johnny-Three says this is the biggest opportunity this town has ever had, and he's right. We've ink big, Roy. If this is Vinland, you're going to have to nking like the descendant of Vikings who sailed the ned ocean in wooden ships without fear."*
pen to be a descendant of French-Canadian farmers," chard said. "With plenty of fear. What they feared s taxes. What I fear most, as it happens, is also taxes. e genes."

re Be Neon—by Rudi Stern (Harry N. Abrams, Inc., I remember when Claude Neon's tubes lit up into 30s proportions. My shareholding father lit up as his ent soared, only to dim out in a welter of problems. ok in all its glorious neon colors portrays the scene d the art form neon has now become.



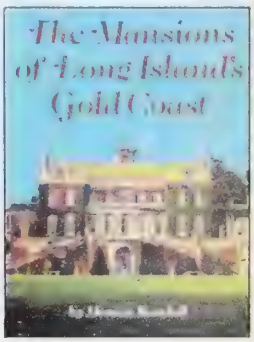
Living with a Stranger—by John Stewart Collis (George Braziller, Inc., $8.95). The "stranger" is the author's body and what he learned about its workings, and his effort—not always successful—to explain the whole thing to thee and me.

Excerpt: *. . . I have said that we do not see with our eyes but by means of our eyes. But we could not see even then* not for memory. *Clear vision is chiefly memory. instant correlation of eyesight with experience— is a marvel, and we are quite unaware of it.*

ma of the Oceans—by Elisabeth Mann Borgese (Harry ns, Inc., $25). Some of the fantastic facts in the text illuminating than the colorful, if sometimes unoriginal, photographs.

Excerpt: *If we adjust our minds to the concept of inexhaustible energy, logic brings us to the concept of inexhaustible resources that can be extracted from the waters of the world ocean and recycled on a gigantic scale—resources that well up from the interior of the earth and are returned by the rivers and the atmosphere.*

The Mansions of Long Island's Gold Coast—by Monica Randall (Hastings House, $27.50). In the Gatsby era Long Island was studded with extraordinary mansions, some bizarre realizations of dreams, most in the opulent, sumptuous best taste of a bygone time. This pictorial roundup is disappointing in the quality, extent and reproduction of its pictures; the text deals too much with layout, very little with the lives and Whys of those who built those now mostly demolished palaces.

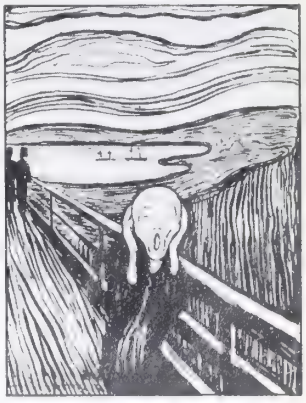


The Early Days in Jackson Hole—by Virginia Huidekoper (Colorado Associated University Press, $15). A superb portrait of today's most renowned Western town, whose spectacular Grand Teton Mountains have, for a century, been a magnet for ranchers, then dudes and now tourists.

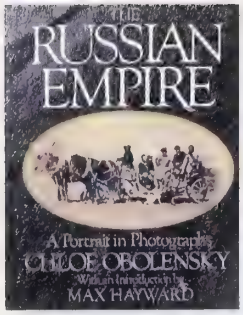
Dear Sir, Drop Dead: Hate Mail through the Ages—edited by Donald Carroll (Collier Books, $4.95). As FORBES *Readers Say* readers well know, hate mail can be very witty, devastating—unintentionally even more than intentionally. But this compendium of such is, unfortunately, dull rather than delicious.

Excerpt: *The Comtesse de Brémont presents her compliments to [composer] Mr. W.S. Gilbert and, in reply to his answer to her request for an interview for* St. Paul's *in which he states his terms as 20 guineas for that privilege, begs to say that she anticipates the pleasure of writing his obituary for nothing.*

Prints—by Randy Rosen (Dutton Paperback, $10.95). I hate to admit it, but I'm not much into prints. However, for those who have dipped a toe or are tempted to, this book will give a depth and a breadth of knowledge that's as palatable to the mind as the illustrations are to the eye.



(right) The Cry, Edvard Munch

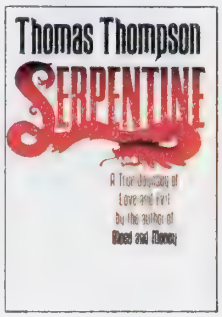


The Russian Empire: A Portrait in Photographs—by Chloe Obolensky (Random House, $24.95). A potpourri of 500 pre-World War I pictures of Russia from its Poland-including borders to Eastern Siberia. Rarity, rather than quality or substantiveness, gives them some appeal despite the inept, confusing captions.

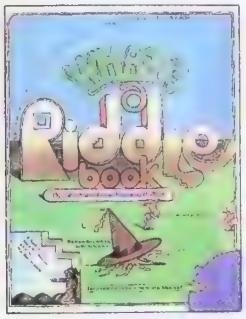
SS–GB—by Len Deighton (Alfred A. Knopf, $9.95). Germany occupies Britain, the King is in the Tower and the SS supervises Scotland Yard in this gripping novel of intrigue. Understandably, a thumping bestseller.

In Morocco—by Edith Wharton (Charles Scribner's Sons). Because FORBES' Arabic edition has its genesis in Morocco, I was given this famed 1920 volume. Far, far inferior to the writings that made Edith Wharton's fame. Both words and thoughts are as dated as the dedication to General Lyautey who, for a French colonial ruler, was less ruthless and unforeseeing than the usual such.

Excerpt: *We visited old palaces and new, inhabited and abandoned, and over all lay the same fine dust of oblivion, like the silvery mould on an overripe fruit. Buildings, people, customs seem all about to crumble and fall of their own weight: the present is a perpetually prolonged past. To touch the past with one's hands is realized only in dreams; and in Morocco the dream-feeling envelops one at every step.*



Serpentine—by Thomas Thompson (Doubleday & Co., Inc., $12.95). A chilling, horrendous true tale detailing, *In Cold Blood* fashion, the bizarre life of a murderer and how each of the many victims came to cross his path.

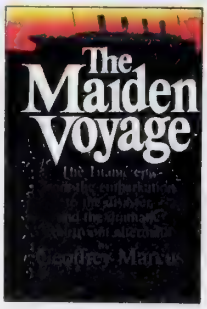


What? A Riddle Book—by Jane Sarnoff and Reynold Ruffins (Charles Scribner's Sons, $3.95). Riddle books have total charm for little tots—even when the answers are a bit beyond their comprehension. They mostly exasperate grownups—with the exception of a few of us. Herewith, samples from *What?*

Excerpt: *What happens when a cat eats a lemon? It becomes a sour puss. Where does a lamb go when it needs a haircut? To the Baa Baa shop. What is everyone in the world doing at the same time? Getting older.*

The Early Life of James McBey, An Autobiography 1883-1911—edited by Nicolas Barker (Oxford University Press, $12). One of the most moving, straightforward tellings of a stark, eventually most successful life I've read in a long time. Famed, self-taught etcher and artist James McBey was born and grew up in the same part of Scotland and at the same time as B.C. Forbes, and this book reminds me so much of the tale father on occasion told his sons.

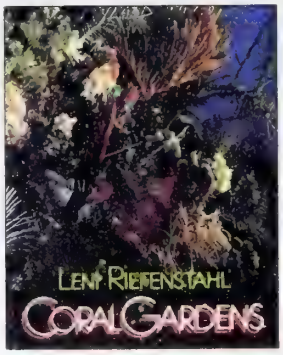
Excerpt: *I have heard [my grandmother] relate of the nig the storm which blew down the Tay Bridge on 28 Dece 1879, a disaster in which 80 persons perished. She had out in the gale to look for possible damage and saw the stacks blown into the darkness one after the other. O asking her why the bridge, regarded as an engineering had collapsed, her grave and serious explanation was th train crossing it at the time was full of sinners, because were journeying on a Sunday.*



The Maiden Voyage—by Geoffrey M (Viking Press; Manor Books, $1.95) Christopher recently gave me this book on the Titanic epic inscribed Pop, a titanic fellow who will always lot of ice with us." Such punning n kept me from reading it. Yet no m how unarrestingly written—and this ume is not nearly as suspenseful *Night to Remember*—that tragedy remains a compelling ror story. So many Might-Have-Beens could have averte saster—for one, if the lookout *hadn't* seen the iceberg an Titanic had hit it head on, the ship wouldn't have sunk.

Jutland 1916—by John Costello and Terry Hughes (Weide & Nicolson, London, $13.95). A profusely illustrated, abso British volume on the biggest naval battle of history and the battleship-building race that led to it.

Excerpt: *The standpoint of the Commander-in-Chief of the British Grand Fleet was unique. His responsibilities were on a different scale from all others. It might fall to him as to no other man—sovereign, statesman, admiral or general—to issue orders which in the space of two or three hours might decide who won the War. The des tion of the British Battle Fleet was final. Jellicoe was the man who could lose the War in an afternoon.*



Coral Gardens—by Leni Ri stahl (Harper & Row, $29.95 71, this Lady of the Lens prod a volume of more colorfully matic underwater coral reef than any of the many who away these days beneath waves. If these fish are your this is four-star dining.

WHEN HER PIQUE PEAKED IN A LAWSUIT

se she was turned down as a would-be co-oper in an sive Manhattan apartment building, Gloria Vanderbilt aught with her chic down.

fancy pants and other attractive gear depend in major part on their In image for getting their high prices. Days of national headlines calling attention to this incident of Outness didn't just reflect a lack of image-ination, but badly, sadly tarnished it.

IN LONDON'S CONCORDE LOUNGE

g a "technical reasons" delay of then-undetermined dura- my son and I found some of the overheard comments t sufficient compensation for the frustration of waiting. arried British Airways hand was taking names for possi- ernative flights. In front of us a casually dressed guy gave me as "Sutherland." "Not Donald," said the name-taker, g up joyfully when the answer was "yes." Immediately ing him a lady said, "Walters," and our head-bent, name- g friend said, a bit sarcastically, "And I suppose you're Barbara." To his embarrassment, she was.

Across from us one happily lubricated elderly Southerner lamented laughingly to two ladies, "Gee, I was sitting next to Joe Levine and I figured by the time we got to New York he'd have discovered my acting potential. Now my movie career has ended before it could get started." Another gentleman explained that it was absolutely essential he get to New York City that evening. "I'm celebrating the first anniversary of my third marriage and if I don't make it, she'll kill me."

THOSE WHO LIVE TO EAT

are at least making the most of one necessity.

THOSE WHO LIVE FOR THEIR ENTRANCE

are usually made a meal of.

DON'T BE MISLED BY MONEY SUPPLY

By M.S. Forbes Jr.

The Federal Reserve is coming un- r heavy criticism for tightening oney too much in recent months. ne money supply figures, M1A and 1B, have indeed contracted since bruary, which led monetarist guru ilton Friedman to declare: "The Fed s condemned us to a more severe cession than we need have suffered." The critics are wrong. The Fed has tually eased credit significantly nce mid-March. The confusion ises because most observers look at e money-supply numbers. With nk interest rates considerably high- than those of commercial paper and her nonbank sources of funds, bor- wers have reduced their bank debt d tapped these other sources. ence, money-supply figures (which e made up primarily of bank de- and deposits) also shrank. M1A and 1B ignore commercial paper.

As businessman-turned-investor wis Lehrman pointed out in Janu- y, a far better measure of Fed mone- ry activity than those money-supply mbers is something called Federal serve Bank Credit (FRBC), which is ade up primarily of the Fed's hold- gs of government securities. This mber is released weekly on late Fri- y afternoon.

When the Fed wants to tighten, it lls government securities and Feder- Reserve Bank Credit decreases. hen it wants to ease, it buys govern- ent securities and FRBC grows.

Between January and mid-March, the Fed was indeed turning off the monetary faucet. But in late March the Central Bank switched course and FRBC has been expanding.

Contrary to the Miltonian monetarists, the Fed isn't guilty of "monetary overkill." In fact, if Volcker is not careful in the months ahead, he could be accused of the opposite.

To repeat, if you want to get a handle on Fed monetary actions, don't make Milton's mistake by looking at the Ms. A far more accurate barometer is Federal Reserve Bank Credit.

SELF-INFLICTED WOUNDS

Much has been written over the years about the economic problems of underdeveloped nations. The problems of most of these nations predate OPEC's devastating extortion. Numerous international conferences and commissions have proffered solutions, usually involving the West ponying up more money.

Yet what has often been overlooked is how governments of all too many underdeveloped countries hobble their economies with onerous regulations and incentive-crushing taxes—not to mention corruption.

India has long been a prime example of a poor country that retarded growth. The government went in for all-encompassing state planning. Businessmen were harassed. Scarce capital was frittered away on uneconomical "prestige" projects.

In its antipathy to free markets, India had lots of company.

For a brief period, 1975-77, India departed from these practices. Tariffs and trade restrictions were reformed; income and wealth taxes were reduced. Before these changes, for example, India's income tax reached 97½% on $9,000. Result: The economy expanded, despite the world recession at that time. Government revenues exceeded projections. Exports soared as did industrial production.

Then India began to backslide. Taxes were boosted, red tape proliferated, planning became more heavy-handed. Not surprisingly, inflation soared and the economy contracted.

Now, happily, India is again paying more attention to incentives. The new budget of Mrs. Gandhi's government is full of goodies to encourage savings and investments. Taxes are being scaled down.

If this encouraging trend continues, don't be surprised to see India's economy outperform by a wide margin those of most other, more restrictive, poorer countries in the future.

Schemes must be devised to help countries like India with the OPEC tax. But even if OPEC ceased its blackmail, many of these lands would still be in deep trouble because of their notions on economics.

As Hong Kong, Taiwan, Singapore and the Ivory Coast have demonstrated, individual initiative and incentives are far more powerful stimulants for economic growth than bureaucratic planning, heavy taxation, World Bank loans or massive transfers of money and technology from the Western industrial countries.

Other Comments

Often comments by others stimulate, irritate, abuse or amuse this editor's mind.–MSF

Shocking Inaction

An energy panel convened by the Aspen Institute of Humanistic Studies concluded that America's continuing reliance on imports for almost half its oil needs posed a "grave" threat. The panel noted that the nation's strategic petroleum reserve contains only a 12-day supply. And it warned that, while the government had focused on scaling down oil imports for the long run, too little attention had been given to the "more immediate and vital" threat of a supply cutoff.

In an interview Prof. M.A. Adelman of the Massachusetts Institute of Technology, a leading petroleum economist, said that the failure of the Administration to fill the congressionally authorized billion-barrel stockpile was "unspeakable." Public opinion, he said, has been "anesthetized," and he considers it shocking that the Administration has permitted itself to be "bullied" by Saudi Arabia into not filling the strategic petroleum reserves. At the rate of adding to reserves by only 100,000 barrels of crude oil a day (a provision of the recently signed synthetic fuels bill), Professor Adelman noted that it would take more than 20 years to reach the billion-barrel target.

—Leonard Silk, *New York Times*

Porn and Popcorn Don't Mix

There's not much incentive for the [movie] exhibitor to raise ticket prices, since he makes more money from food sales anyway. Higher admission prices might cut attendance by popcorn eaters. . . . [An advertising director] for a suburban Washington, D.C. chain of moviehouses notes that "a cynic might look at it as if theaters were basically popcorn stands with auditoriums attached."

In terms of popcorn sales, some movies do better than others. . . . Foreign films, tearjerkers and porn do worst and horror movies best.

—Caroline Donnelly, *Money*

Protein Producer

If it were possible to turn just the 1,000 square miles of Long Island Sound over to mussel culture, this area could produce a quantity of protein equal to three times the world fish catch.

—*The Drama of the Oceans*, by Elisabeth Mann Borgese

More Selective Prisons

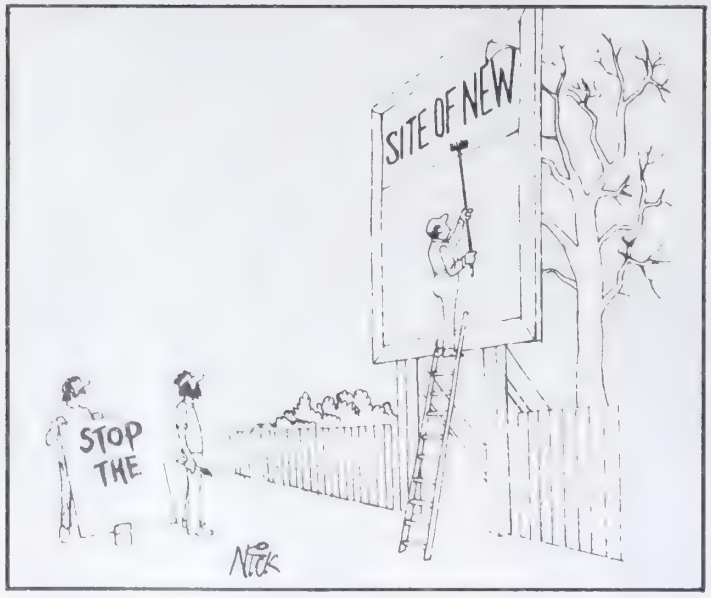
Prisons remain what they have been called since the last century: seminaries for crime. Prisons foster inhumanity, brutality and violence.

The intent is, or ought to be, to remedy overcrowding in prisons not by building more cells but by sending nondangerous offenders into community-based programs. . . . The idea is to penalize offenders by compelling them to make restitution to their victims and the community that they have offended. . . .

In 1973, the National Advisory Commission on Criminal Justice Standards and Goals concluded a sober review with this recommendation: "Prisons should be repudiated as useless for any purpose other than locking away persons w too dangerous to be allowed at lar free society."

The idea makes more sense ever

—Frank Trippett



Punch

For unlike wealth or prop power must be exercised possessed.

—from The Rockef
by Peter Collier and David Ho

Synfuel: A Tested Savi

Synfuel has been referred to as " the sky." In reality, oil from coa proven feasible in the U.S. 40 year and South Africa is even now enl production to take care of about its needs for gasoline—under direct an American engineering firm. Sy conceivably could serve the U.S. the synthetic-rubber process that American transportation during War II and went on to become a stay. If pursued with enterprise and faith in American technical ability fuel and—in the longer future— power may prove out as major indu and job providers.

—Marvin Stone, e
U.S. News & World R

Heavy Load

You have a ½-horsepower brain ing a two-ton mouth.

—*Dear Sir, Drop Dead: Hate through the Ages*, editor Donald Ca

Pompano Balloon

Pompano is baked in buttered w butcher's paper. Jules Alciatore, w father founded Antoine's restauran New Orleans, created the dish to h the Montgolfier brothers, inventors o world's first practical balloon in 1 When the fish is baked in the paper, heat puffs it up like a balloon. Later, in early 1900s, the famous Brazilian ball ist, Alberto Santos-Dumont, displa his stunts over New Orleans, and the was served again at a banquet hono his feats. From that time, it was pa the international repertoire.

—George Lang, *Travel & Lei*

Zap for Zap

An actress congratulated Ilka Chas her book *Past Imperfect*. "I enjoyed she said. "Who wrote it for you?" "D ling," clawed back Ilka, "I'm so deligh you like it. Who read it to you?"

—Morris Man
Affronts, Insults, & Indigni

ST. JOE OIL.

Below the turbulent waters of the North Sea, St. Joe discovered oil. And now, with the help of partners, this oil is about to flow.

The Buchan oil field is expected to contribute to St. Joe's earnings and growth when it begins production later this year. St. Joe also has significant petroleum interests in the United States and Canada.

Oil is just a part of St. Joe's exciting future. In the early 1970's, St. Joe embarked on a bold, but well-planned course of diversifying into rapidly growing markets for energy, precious metals, and natural resources. This ten-year capital expansion program should total over two billion dollars by 1984. And it is already beginning to pay off. Discoveries such as Buchan will contribute to St. Joe's expansion.

With all this happening, isn't it time you discovered St. Joe?

DISCOVER US.

ST. JOE MINERALS CORPORATION

ENERGY & METALS

For a copy of our Annual Report, write to our Chairman, John C. Duncan, Box 1, St. Joe Minerals Corporation, 250 Park Ave., N.Y., N.Y. 10017.

Now Raytheon electronics help the captain and the cook, to

Sunset...and the end of another perfect day on the water. Now it's back to the marina, with a helping hand from Raytheon electronics on the bridge and, surprisingly, in the galley, too.

For nearly 25 years boat owners have been using Raytheon radars, depth sounders, and radiotelephones for safe navigation and dependable communications. More recently, another electronic product has been finding its way aboard many boats. It's the Radarange® microwave oven from Amana, a Raytheon company.

Now many seagoing chefs enjoy the same speed and efficiency of electronic cooking tha they—and millions of others—have come to re on in their kitchens on shore.

We do, indeed, live in an electronic worl And Raytheon is strongly positioned to meet t growing need for electronic products.

Data processing and word processing syst from Raytheon, for example, are bringing the electronic office of the future that much closer to reality.

Raytheon microwave heating systems speed
x food processing. Lasers cut and weld preci-
n parts. X-ray systems and nuclear cameras aid
dical diagnosis. And Raytheon tubes, semi-
ductors, and other electronic components are
d in products ranging from heart pacemakers
pace satellites.

Ours is a future that will depend heavily on
ctronic technology. That's why a significant
re of the business at Raytheon continues to be
ctronics.

Raytheon . . . a $4.3 billion company in electronics, aviation, appliances, energy, construction, and publishing. For copies of our latest financial reports, please write Raytheon Company, Public Relations, 141 Spring Street, Lexington, Massachusetts 02173.

RAYTHEON

DISAPPOINTING NEWS FOR AMERICA'S 520,000 MILLIONAIRES. ONLY 1,500 BERTONE COUPES WILL BE OFFERED THIS YEAR.

In an age when anyone with money can purchase a Mercedes, BMW or Cadillac Seville, it takes a good deal more to own a Bertone Coupe.

It takes luck.

The Bertone Coupe is a limited production luxury class touring car that combines Volvo engineering with the classic Italian craftsmanship of one of Europe's most distinguished coach builders: Bertone of Tu

To fully appreciate the results of this collaboration—the handcrafted details, the supple leather upholstery, the rich wood veneers, the superb engineering—you have to see and drive this car for yourself.

Due to the extremely limited supply of these extraordinary automobiles, we urge you to use extreme haste in visiting a Volvo dealer.

If you should have money enough and luck enough to purchase a Bertone Coupe, you'll not only have the satisfaction of owning a car that shows you've arrived.

You won't see yourself coming and going.

VOLVO

© 1980 VOLVO OF AMERICA CORPORATION

et operations, liquidity ratios or itative controls." To regard sovertates as helpless before this mighty ter is simply to misunderstand the et. Indeed, the absence of reserve ements is the only permissive asf Eurobanking. In every other way, ant banks that make up the Euroet are the most heavily regulated in orld.

ce the market began 23 years ago, action to exchange controls, no has failed because of unsound Euro- The most significant bank failure e, the collapse of I.D. Herstatt in came from faulty foreign exchange g, not bad loans. "And no bank was aved from dumb lending mistakes serve requirements," notes one r.

the question of whether the Euroet fuels inflation, there is more disnent, but an impressive number of s are coming around to the view does not—or does so only marginollowing a year-long study on the t, C.W. McMahon, an executive r of the Bank of England, concluddanot be emphasized too strongt the Euromarkets are very largely ernative channel for, rather than a dition to, credit flows that would place in some form or another in ent."

the chorus of criticism continues those who would like to regulate arket; bureaucracy abhors a vacuhe criticism says more about the than about the market itself. The arket is a convenient scapegoat ntral banks that follow expansionnetary policies while claiming to lation fighters. Indeed, when G. m Miller was Federal Reserve han, he contended the Euromarket ne of his biggest worries. He said stence undermined his supposedly monetary policy.

according to Fed figures, at most lion in Eurodollars could be countpart of the domestic money supbout 15%. "If you impose a 10% e requirement on a pool of money ffects our economy to a 15% dehe impact dribbles off to nothing," out Lou Schirano, a vice president kers Trust Co.

restingly enough, most central rs agree; the exceptions are the l Reserve and West Germany's sbank. "In addition to doubting he Euromarket disrupts their contheir money supplies, most central rs do not view it as inflationary or cive to unsafe banking," says a ork banker.

fall, under heavy arm-twisting by ed and the Bundesbank, central of the ten largest industrial nagreed on a two-stage plan to cone Euromarket. The plan was to be hammered out at the Bank for International Settlements (BIS), the supersecret agency in Basel that monitors the international monetary system. In the first stage, central banks were to require their commercial banks to publish consolidated balance sheets detailing their activities on a worldwide basis. In the second stage the central banks would impose stiff controls, possibly reserves, based on the balance sheets.

Quietly, however, the authorities have decided not to go ahead with the plan. At its April meeting the BIS did urge central banks to implement tighter controls over their domestic institutions, but noticeably absent was a proposal to mandate uniform standards. "The BIS statement means the central bankers could not come to a decision," says Geoffrey Bell, a director of J. Henry Schroder Wagg & Co. "For the moment at least, the concept of controls is dead."

What caused the bureaucrats to pull back from more formal regulation? In a word, *oil*. As OPEC tightened the price screws further, the problem of recycling became acute again. The commercial banks through the Eurocurrency markets were handling most of the money and averting a possible world depression. In a situation like this, prudent bureaucrats will resist the temptation to interfere. That is precisely what happened. "They suddenly realized," says Dennis Weatherstone, "that this is not the time to tinker with a successful mechanism."

Surprisingly, commercial banks are not using this victory to step up their lending; bankers may sometimes get carried away but they are not fools. As a result, the market's growth will probably tail off this year. For one thing, many commercial banks are bumping up against lending limits to any one borrower. For another, they have been shaken by the revolution in Iran, formerly one of the bluest of blue-chip borrowers.

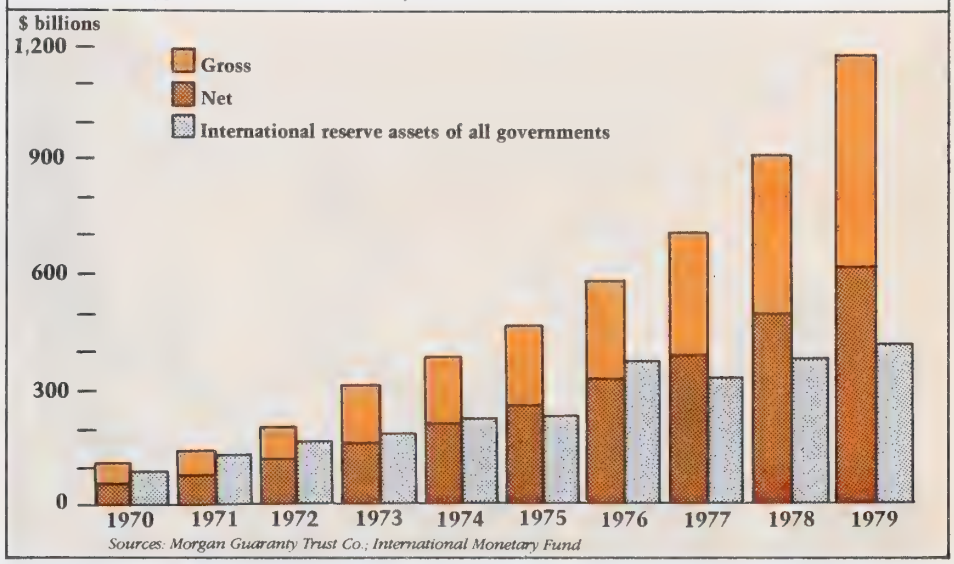
What this suggests is that normal banking prudence is limiting the size of the Eurocurrency market and the possibilities of dangerous abuse. The big international banks do not need governments to tell them not to make bad loans. "A positive development," Weatherstone calls this, aware as he is that simple common sense and good banking practice dictate that the West's commercial banks can no longer handle recycling all by themselves.

The most striking development in this connection is that billions of Arab dollars are simply bypassing the Euromarket completely. Earlier this year, for example, Saudi Arabia quietly placed $8.7 billion with Germany. In all, as much as $20 billion may be "missing" from the market because of such direct bilateral deals. Consequently, many bankers are claiming that the market is now controlling itself quite well.

Maybe so, but pressure for controls will once again build when the recycling crisis has passed. If controls are someday laid down, the market will not disappear or even shrink. The center of action will simply shift from London to such lightly regulated havens as Singapore or the Bahamas. "The private banking system will always remain several steps ahead of the central banks," predicts Kudlow of Bear, Stearns. Gerald Pollio, a Chemical Bank economist, puts it differently: "We will adhere to the letter of the regulations at the same time we're finding a way to circumvent them." Which—however much it may annoy the governments concerned—is probably a good thing. ■

Less than meets the eye

If interbank deposits are discounted, the net size of the Euromarket is not $1 trillion but more like $600 billion. Even that figure may be too high. Recent studies suggest the true size may be between $100 billion and $150 billion.



Sources: Morgan Guaranty Trust Co.; International Monetary Fund

Extra! Extra! Read all about it! Blue-collar tabloid aims for upscale audience. Touches off media war in Gotham.

Manhattan free-for-all

Wurzer, O'Neill, Hunt and General Manager Joseph Barletta
Making the News the "major force in New York."

By Thomas C. O'Donnell

NEW YORK'S MORNING TA
the *Daily News*, announces
for an afternoon edition. R
Murdoch, publisher of the afte
New York *Post*, retaliates with plan
morning edition aimed squarely at
readers. Both are scheduled to h
streets in late summer or early fall.

Both parties concede their new
tions may not get off the ground
sense these are the least of the c
major changes that will influenc
future of the U.S. print media—an
eral giant corporations that control
of it—for years to come. "The co
also involves the [Chicago] Tribun
[parent of the *News*], the *New York*
the *Wall Street Journal*, *New York* an
West magazines and even the V
Voice," points out labor lawyer
Kheel, who is adviser to the Allied
ing Trades Council, made up of
New York's 11 newspaper unions.

The *News* wants to upgrade its
ence so that it can carve out some
advertising market now served by
Times. Meanwhile, the *Times* will so
putting out a national edition, lo
for new readers and advertisers. Par
response, the *Wall Street Journal*
come out with a second section to
ture stories and advertisements
would otherwise go to the "natio
Times by default.

What it means is that the old new
per boundaries are breaking down
the impact of electronic media and
levels of education and affluence.
stricted in its own market, the *Tim*
going national, creating a perc
threat to the *Wall Street Journal*.
News, losing its own traditional ma
is upgrading itself to go after some o
Times' present audience who may b
off by the *Times'* concentration on i
national news and its liberal poli
Left out in the cold is New York's
and sole surviving afternoon newsp
the *Post*.

The *Post* is already hemorrhaging
ey. In 1979 losses totaled an estim
$4.5 million. The *Post* is part of the
tralian Murdoch's far-flung em
which is also threatened in its other
York holdings, *New York* magazine
the Village *Voice*, both of which are
itable and could lose ads to a revi
upscaled *News*. (Murdoch is seeki
buyer for *New West*, a moneyloser.)

The *News* is in much better shape
the *Post*, but it is clearly slipping
management is determined to rev
the slide. In 1979 the *News* posted
enues of about $300 million, but earn
totaled only about $5 million, f
skimpy profit margin of 1.7%. E
more worrisome are the declines in
culation. The daily paper has fallen
2.1 million in 1970 to 1.5 million to

ne drop in Sunday circulation has even more dramatic, from 3.1 mil-en years ago to 2.1 million.

t fall the *News* lost claim to a proud the U.S. newspaper with the largest ation. The title was lifted by the *Street Journal*—an event that oted Dow Jones & Co., the paper's t, to award *Journal* employees a bonus.

ply put, the *News* has been deserted traditional blue-collar readers, who moved up the income scale and out city and into the suburbs. Because *ws* has been unable to reach them, isers, especially the expensive de-ent stores and exclusive boutiques, also departed. "Advertisers aren't ," says publishing analyst John n of John Muir & Co. "They can't led when it comes to demograph-Morton adds: "Mass-circulation papers that pander to the lowest on denominator cannot survive in .S. anymore. Television now pan-o that audience and does a better it."

lizing this, *News* management is improve the demographics. "This most ambitious editorial improve-plan in the 61-year history of this paper," says *News* publisher Robert Sales Director Henry Wurzer is more blunt: "Our strategy is to be-the major force in New York and se-in suburbs."

e he left the presidency of the Chi-*ribune* to take over the *News* a year unt has had one objective: "Rede-the mission of this newspaper. fifteen minutes after I arrived, Editor Michael J.] O'Neill took me lunch with a management consul-o talk about doing just that." Stra-planning may be old hat in the ate world; it is relatively new in wspaper business.

the *News* will gradually add on an onal 23 pages. To fill them, ap-nately 400 additional employees e hired and nearly $20 million will ed to the annual budget. But noth-more indicative of the changes in *ws* than the hiring of Clay Felker to e new afternoon edition. A man ften knows what the trendy people inking before the trendy people themselves, Felker put his stamp *w York* magazine, making it both ble and something of a trend-set-the publishing business.

of Felker's main jobs will be to a new section called "Manhat-which will, according to publisher be both "trendy and irreverent." ct, Felker is being asked to recreate ning very much like the *New York* e lost in a noisy takeover fight to t Murdoch. Felker also will super-n expanded business-news section headed up by a former FORBES se-nior editor, Frank Lalli, who once worked under Felker as managing editor on *New West* magazine and later served as metropolitan editor at the Los Angeles *Herald Examiner*.

Dan Dorfman, the financial writer whose column is distributed to nearly 100 newspapers by the Chicago Tribune-New York News Syndicate, is exultant: "The day will soon be past when the *Times* and the *Journal* have daily business news all to themselves. Soon we'll be breaking our share of major stories."

The big danger, of course, is that the upgrading will alienate those blue-collar readers the *News* has served so well and so long. "Any time a publisher tries to reach a new market, he runs the potential risk of alienating old readers," says J. Kendrick Noble, a publishing analyst at Paine Webber.

The real key to improving the *News'* profitability and reversing its decline lies in improving its advertising revenues. For example, four of New York's most prestigious department stores spent $22 million in advertising last year; the *Times* got virtually every cent of it. "We want some of that," Hunt says. "What we're getting from them now does not amount to a hill of beans."

What about Rupert Murdoch? For once the feisty Australian seems on the defensive. Even without an invasion by the *News* into the afternoon field, his *Post* reportedly holds less than 10% of the New York City newspaper advertising market; he could ill afford to lose any of it. His best hope is that the *News* may abandon its plan to turn out an afternoon paper. Otherwise, he faces an old-fashioned circulation war.

But don't write off Rupert Murdoch. Don't expect the *Times* to be a pushover for the *News*. Don't expect the *News* to sit quietly and let its market slowly evaporate. As we said, it's going to be quite a fight. ■

Is Stanford Ovshinsky an authentic scientific genius? Or is he just a smart promoter? A lot of money rides on the answer.

Ovonics—has its time come?

By Carol E. Curtis

STANFORD OVSHINSKY HAS pulled rabbits out of a hat again.

His company, Energy Conversion Devices, Inc., has lined up Chicago-based A.B. Dick Co. to get one of Ovshinsky's ideas rolling off an assembly line. His idea is the MicrOvonic file, a desktop machine to update microfiche. In the agreement announced on July 14, A.B. Dick will manufacture the machine, while Ovshinsky will make the film.

A.B. Dick seems to be backing a long shot. The device is the latest in a long line of attempts to bring the inventor's ideas to market. Ovshinsky's success record is rather thin. "Energy Conversion Devices is the longest-lived venture capital company I know of in the history of American industry," marvels Keith Cunningham, an early president of ECD and now head of UNC Resources, the nation's largest independent uranium producer. "It has an absolutely incredible history. It is like eternal youth."

Many people don't share Cunningham's generosity. "Ovshinsky has created things that aren't manufacturable," complains one Wall Street electronics analyst. "After 20 years, one gets impatient. Where is the product, and where is the profit?"

ECD has been in business 20 years, and has yet to make a product or a profit. Its accumulated deficit is $29 million, and the last deal it had for manufacturing the MicrOvonic file fell through after the prospect, Minnesota Mining & Manufacturing, tested the final prototypes.

But the fountain of youth Ovshinsky has been tapping just keeps on flowing. Earlier this year Atlantic Richfield, the nation's eighth-largest oil company, handed Ovshinsky $28.3 million for work on "amorphous silicon photovoltaic cells," an experimental form of solar energy.

Behind the scenes, however, Ovshinsky's troubles are mounting. Keith Cunningham, who has known Ovshinsky since the 1950s, is the plaintiff in a lawsuit over rights to Ovshinsky's solar technology. As Cunningham explains it, his long-standing friendship with Ovshinsky led to his decision to accept the presidency of tiny ECD back in 1969. Despite his admiration for Ovshinsky's inventiveness, Cunningham says he soon realized the decision was a mistake. "I did not see the commercialization evolving that he had talked about," Cunningham says. "The problem was that there was not the capability to get a product out of the lab."

Cunningham went on to become president of UNC Resources. But he continued to admire Ovshinsky. When Ovshinsky approached his company in 1976 for help in financing solar research, Cunningham says he presented the idea to his board as a "worthy crapshoot."

UNC then provided $500,000 to Ovshinsky for solar energy development. In return, Cunningham says, UNC was entitled to 50% ownership of all technology bearing on conversion of energy into electricity.

Ovshinsky didn't see it that way. Last January, he signed the agreement with ARCO—neglecting to inform Cunningham—which gave ARCO a nonexclusive cross license to ECD's solar cell technology. "A lot of what Stanford Ovshinsky has belongs to us," claims Cunningham. "A great deal of the value . . . is in the confidentiality."

Cunningham has moved to include ARCO and two of its subsidiaries as codefendants in the suit. He has also asked an Illinois court to take control technology until the case is settled

Even if Ovshinsky wins this other battles loom. 3M is seekin return of an $850,000 advance it Ovshinsky for his MicrOvonic file a 3M spokesman, "They couldn't it. We want the money back. It w advance on an order."

After such black eyes, why do big panies keep coming back for more? reason is Ovshinsky's engaging pers ity. "People perceive him a little lik next Thomas Edison," explains th spokesman. Adds Robert Chambers president at ARCO, "He handles p well. He does the things you woul pect a good research director to do."

Ovshinsky, 57, is the son of a Li nian junk dealer. Born in Akron, and with no education beyond school, Ovshinsky worked his wa from an early career as a machini displaying a flair for innovation.

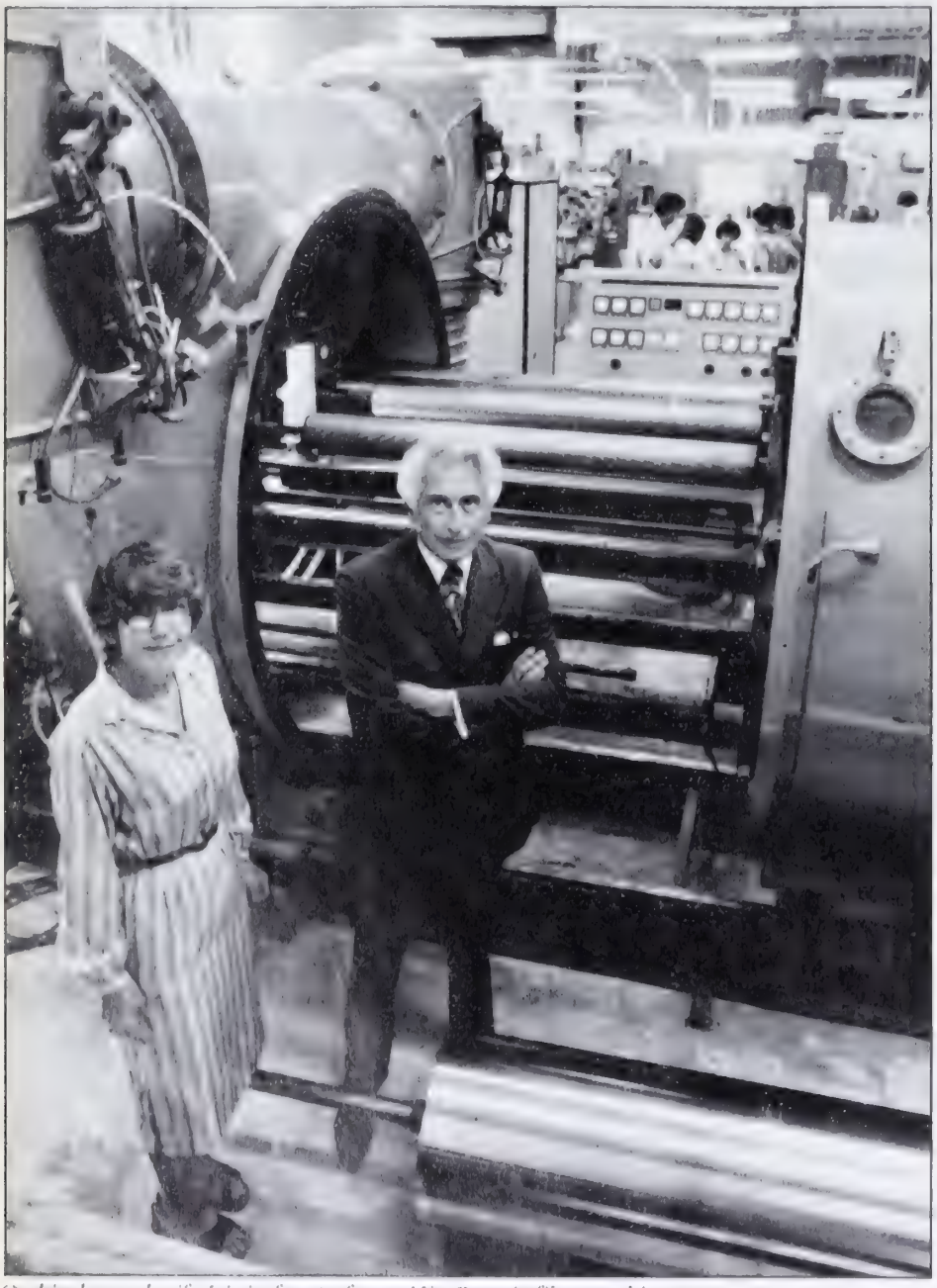
He first burst on the national sce 1968 with the announcement he ha vented "Ovonics," a new class of a phous materials that could revoluti many areas of electronics. Ovshi contends that such substances hav advantages over crystalline materia applications like semiconductors, film, solar cells and computer meme His controversial theories have wor acceptance of some eminent scien He holds 120 U.S. patents, though has ever been tested in court.

Even Cunningham acknowledges shinsky's scientific prowess. De their disagreements, Cunningham the inventor made important prog while he was working under the s sorship of UNC: "Within 60 days, t were successful results. There is question that he made a scien breakthrough."

ARCO has also been encourage the results in the six months it worked with Ovshinsky. The oil c pany initially gave ECD only $3.3 lion, then came up with $25 mil more after watching Ovshinsky in lab. "He has a good record as an in tor," says Chambers.

Ovshinsky's newest partner is bothered by ECD's grim history Ovshinsky gets outside the lab. "A lo us worked very hard for this," says D Wolf, the senior consultant who hel negotiate the agreement for A.B. D "Our salesmen will now have a choic the best products to sell."

"We have created Ovonics, a wh new area of science and technolo Ovshinsky tells FORBES. "We are doi job—against great odds—that is re nized throughout the world." Meanwh ECD stock, traded over-the-counter, zigzagged wildly, plunging from a hig 150 in 1968 to less than $3 per share 1974. The stock recently sold for 19



Ovshinsky and wife Iris in front of new MicrOvonic film machine

The ideas pour out as fast as big-business money pours in.

e and more shareholders are being asked ive up their traditional rights and privi- s as worried corporate managements seek ifle the booming takeover trend.

Digging in

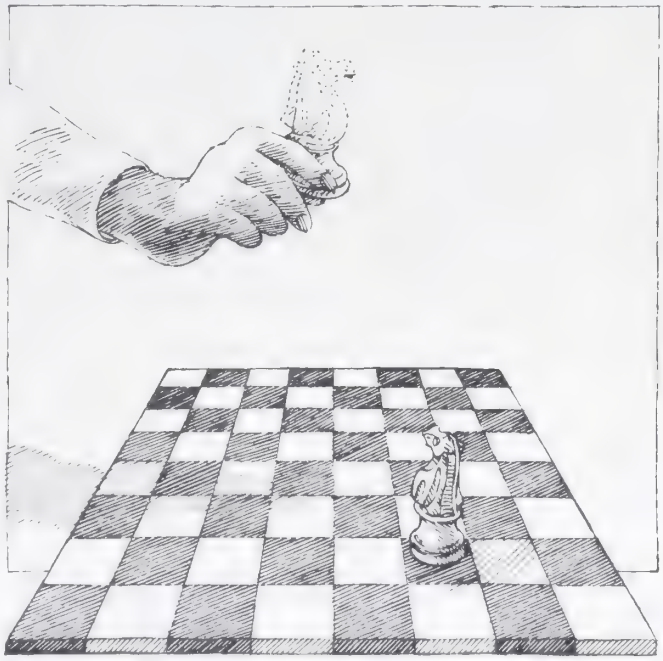
By Michael Kolbenschlag

TOOK CHARLES E. HURWITZ only o years and less than $8 million to y his way to the top spot at Los s-based McCulloch Oil (recently ed MCO Holdings) and control of 4 million in assets. Hurwitz' part- ntor was Dr. George Kozmetsky, ounder of Teledyne and dean of siness School of the University of The pair needed only 13% of the o get control.

a few months after taking the top McCulloch (1979 revenues, $77) Hurwitz is making it tough for to pull a Hurwitz on him. Like other corporate boards, his is im- ting antitakeover measures. Re- he painstakingly pulled a 52% ap- of his shareholders to incorporate of amendments that just about im and his cronies to their board They include provi- hat stockholder action en only at meetings, e board of directors t the stockholders be zed to call special older meetings, that rs may not be re- without cause or ated from the floor t—by virtue of super- y provisions—Hur- nd Kozmetsky would eto power over any to change these ments.

Hurwitz needs such roof protection no one Two years ago loch Oil was a debt- legally beleaguered ny about as alive as its r Robert P. McCul- who died in 1977. To- company has turned itself around, downplaying unprofitable land development and refocusing on oil, gas and geothermal energy. The proceeds are still small potatoes, with first-quarter 1980 revenues of only $26 million. But McCulloch is, as they say, on the come. Its stock, which has a book value of 6, recently traded at a nifty 13, and some suggest the company has the assets to support 20 in the near future.

But bulletproofing can be expensive, and in this case particularly so for the McCulloch shareholders. "The guys who will get hurt in all this are the minority shareholders, the widows, the orphans and the ones on camping trips in Alaska who won't get the news when someone makes a tender offer," says one Wall Street specialist in takeover defenses. "Antitakeover provisions won't stop a raider from acquiring 75% to 80% of the stock just by tendering for it. They will slow the second, consolidation phase of the takeover, but the raider can wait. It's really the remaining shareholders who need things to go smoothly."



Hurwitz admits that the amendments may be self-serving. The company warns shareholders in its proxy that management might be viewed as having a conflict of interest in recommending the provisions. But recommend them they did, even at the risk of possible court challenges later.

The McCulloch management is just one of a growing number that are asking their shareholders to give up old and almost sacred prerogatives to help thwart takeovers. Bushy-browed Foremost-McKesson President and Chief Executive Officer Thomas E. Drohan is doing likewise. Recently Foremost shareholders received proxies asking them to give the Foremost board the power to "restrict and limit the transfer to, and the purchase, ownership and voting of, shares by or on behalf of particular shareholders."

Specifically, the carefully worded statement says that Foremost wants to reserve the right to stop the transfer of stock or void the voting right of anyone seeking 10% or more of the company if that individual's background might jeopardize company licenses and permits for the sale and distribution of its alcoholic beverages and drugs. The company says such action by the board would have to be triggered by a written governmental advisory, but Foremost doesn't deny it would seek out that advisory if it didn't like the look of a particular investor.

In asking for the shark-repelling privilege Drohan seems to be angling to avoid Miami businessman Victor Posner, who owns just over 9% of Foremost. Even though Posner claims he's not interested in taking over Foremost, Drohan feels justified in asking for roadblocks. Posner did attempt to take over Foremost in 1976, but that attempt failed. The battle led to a charge by the company that Posner had overstated earnings in the offer, which in turn led to a Securities & Exchange Commission investigation into Posner's other business dealings as well. In the end Posner restated earnings, signed a consent decree and returned to two of his companies $1.6 million in corporate funds that the SEC alleged were misused for Posner's personal reasons.

"All this is part of a long-term trend to reduce stockholders' ability to control the destiny of a company and to pull power back into the board," says Robert E. Marquis, managing director of West Coast operations for Georgeson & Co., the na-

tion's oldest and biggest proxy solicitation firm.

Marquis and others in the investment banking community believe that more corporations will seek encumbering bylaws. The tendency is partially encouraged by recent stockholder suits against corporate managements that responded to takeover offers by simply turning a cold shoulder. None of these suits has yet been successful. But a handful of McGraw-Hill shareholders are doggedly trying to take that company into the Supreme Court for rebuffing American Express last year, and the SEC recently filed a brief siding with the shareholders of Marshall Field & Co. who had unsuccessfully attempted to sue the company for not being more receptive to West Coast retailer Carter Hawley Hale.

It's a tough situation. With the v full of Charles Hurwitzes, you blame managements for wanting t tect themselves. On the other what right has management to pr shareholders from accepting the possible price for their shares? Oh v nice bull market that would take s out of the bargain basement would everybody's dilemma. ■

Here's another successful U.S. bank whose stock was languishing at 5 times earnings until a rich foreign suitor came along.

Why Midland wants Crocker

By Maurice Barnfather

OVER THE JULY 12 weekend, the largest foreign takeover yet ($820 million) of an American bank was worked out in the most appropriate of settings: New York's Waldorf-Astoria on Park Avenue. California's Crocker National Corp. (14th-largest bank holding company in the U.S.) agreed to sell a 51% interest to Midland Bank Ltd. (Britain's third largest). If the deal goes through in one year's time it will put Crocker up in the top ten of U.S. banks in assets.

Yet only six years ago, when the now 63-year-old Thomas R. Wilcox left Citicorp to take over as chairman at San Francisco's Crocker, the bank was in sorry condition (FORBES, *Nov. 12, 1979*). Steeped in a banking tradition that had it catering to wealthy corporations and families with whom it had old ties, Crocker's profits were flagging, its capital position was thin and its deposits were shrinking. Crocker was losing ground steadily in California to Bank of America and Wells Fargo.

Moving decisively, Wilcox chopped deadwood from the payroll, recruited ambitious, highly paid staff from New York and Chicago banks and aggressively marketed Crocker. It paid off. Crocker's assets rose from $10 billion to $16 billion, return on equity about doubled to 15% over five years and earnings last year were $6.68 a share, compared to $2.40 a share pre-Wilcox. When Wilcox retires to his Long Island home next year he could pocket as much as $4.5 million from the sale of his Crocker holdings. Nice work, considering that Crocker's near-term prospects look as gloomy as any other bank's amid falling interest rates and recession.

So why did Midland choose Crocker? And why now? And why at roughly twice the average multiple for bank stocks? Midland is the only major British bank without a significant U.S presence. Granted, it has a 20% stake in New York's European-American Bank and owns the Thomas Cook travel and financial services group. But for three years it has wanted to be in American commercial banking. Talks with Chicago factor Walter E. Heller, heavily criticized by British shareholders for the price Midland indicated it would pay (almost twice Heller's $24 book value), floundered. Midland's ambitions did not.

Midland director Malcolm Wilcox (no relation) knew Wilcox of Crocker, with whom the British bank had a correspondent relationship for many years. Crocker, despite its phoenix-like rise, still lags competitors in internal equity growth. Without a stronger capital base it couldn't easily continue to expand its assets and profits. Enter Midland.

The British are fully aware of the hostility to foreign takeovers of U.S. banks, particularly in New York. But opportunity knocked. The congressional mor um on such deals ran out July 1 General Accounting Office, in a unpublished report, is recomme that the moratorium be reinstat definitely. John G. Heimann, the C troller of the Currency in Washin and Paul A. Volcker, chairman o Federal Reserve Board, are oppos any reinstatement.

Midland cannot gamble on wh win; hence the timing of the Buying 51% of Crocker, rather 100%, is aimed at sweetening the p that opponents of foreign takeover swallow it. "There is no reason to be that a full takeover would have acceptable," said Geoffrey W. T chief executive of Midland's interna al division.

There's even more sugarcoating, like most other foreign takeovers of banks, Midland's deal will inject funds into Crocker. Here's how: In a a year Midland will tender for 6.5 mi Crocker shares at then-current book ue, which should be about $50. Afte tender offer is completed, Midland buy 3 million *new* shares of Crock $90 each. Then within the next years Midland will purchase anothe million new shares, again at $90 ap Total capital infusion into Crocker the sale of these new shares: about million. "Now we can make some plans for whatever trends develo banking," says Crocker's Senior President Ward Stevenson.

Increased capital, of course, Crocker the opportunity to expan loan portfolio. With Midland's $500 lion, Crocker's borrowing base woul crease to $1.4 billion. If Crocker borr say, close to 30 times that (about b ing average) for investments and lo its resources would more than doubl about $42 billion.

Midland's proposed price for Cro shares may seem high, but the Br realize they must pay a premium to e an exclusive club—particularly w they're late.

As Midland's Taylor says: "Des the problems of the dollar, the U.S. is of the world's great financial mark He adds: "We are great bulls on the d long term. It must be the right plac put some of your money." That's fro conservative British bank. ■

LIFE IS FILLED WITH COMPROMISES. A $30,000 CAR SHOULDN'T BE.

In these times of performance-apping anti-pollution laws, fuel equirements and safety regula-ons, it is becoming increasingly ifficult to build cars that are till worth driving.

Certain observers, given to ark prophecies, have even one so far as to predict a gen-ration of fatally uninspired, revocably compromised auto-nobiles.

Expensive luxury sedans that, the somewhat colorful prose f Car and Driver magazine, ..ride like pillows when you ruise them and squeal like pigs hen you push them."

A dour prediction indeed. But ortunately one that does not ake into consideration the inven-ve genius and the obsessive etermination of the engineers t BMW in Munich, Germany to uild extraordinary automobiles.

Against all odds, the BMW 33i not only meets the critical demands of society, it does so without ever once violating our conviction that extraordinary performance is the only rational justification for owning an expensive car.

PERFORMANCE AND EFFICIENCY CAN COEXIST UNDER THE SAME HOOD.

In a very real sense, the BMW 733i is a seemingly incongruous combination of qualities many automakers insist are mutually exclusive.

While the 733i is the largest BMW sedan, its size in no way hampers its uncanny agility, its responsiveness to the driver, or its singular capacity for removing the drama from even the most hair-raising road conditions.

Indeed, its suspension system—independent on all four wheels—has been described by Car and Driver magazine as "...the single most significant breakthrough in front suspension design in this decade."

Press the accelerator and the 733i's fuel-injected, 3.2-liter, overhead cam engine responds in a manner that would be exhilarating—even by pre-pollution control standards.

Yet, the 733i (with standard transmission) delivers 16 EPA estimated mpg, 23 estimated highway mileage and, based on these figures, an estimated mpg range of 360 miles and a highway range of 518 miles.

(Naturally, our fuel efficiency figures are for comparison purposes only. Your actual mileage and range may vary, depending on speed, weather and trip length. Your actual highway mileage and highway range will most likely be lower.)

And, when you slide behind the wheel of the BMW 733i, you will notice an object just to your right that should give you considerable insight into the somewhat divergent philosophy of BMW. It's called a manual transmission.

Unaccountably, the 733i is the only "luxury sport sedan" in its price class to provide one as standard equipment. (Automatic is, of course, available.)

LUXURY NEEDN'T BE SYNONYMOUS WITH SUPERFLUOUS.

It's difficult to imagine an appointment, a convenience or an accessory that has been omitted in the BMW 733i.

AM/FM stereo cassette, electric sunroof, electric windows, electric rearview mirror—even a central-locking system that locks all four doors, the trunk lid and the gas door with the turn of a single key—are all standard equipment.

Yet, all facets have been biomechanically engineered to the nth degree to help eliminate driver fatigue.

Its seats are anatomically shaped buckets, covered in wide rolls of supple leather. Its front seats are so thoroughly adjustable that it is all but impossible not to find a comfortable driving position.

All vital controls are within easy reach. The tachometer, speedometer and ancillary instruments are large, well-marked and totally visible—set in a dashboard that sweeps out to meet the driver.

"If you've driven any BMW in the last ten model years," writes one automotive journalist, "lean back, close your eyes and imagine that car honed and polished to the limit of human finesse. That would be the 733i..."

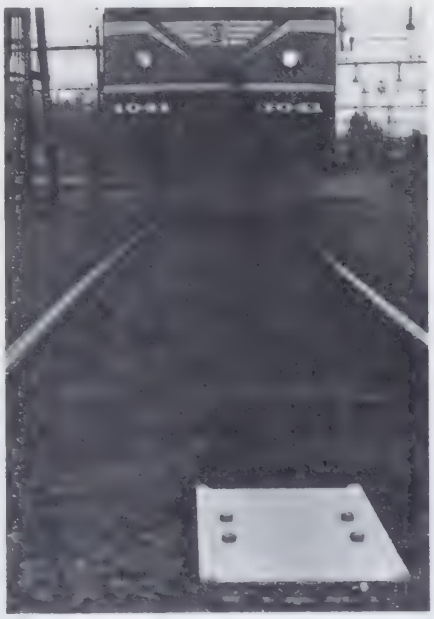
If you find the notion of owning such a car more than a little intriguing, we suggest you phone your nearest BMW dealer and arrange a thorough test drive.

THE ULTIMATE DRIVING MACHINE.

oday's Bunker Ramo is elping the Swedish railways nake its curves as safe s its straightaways.

l the signals, speed restriction rds and grade markers on the edish railways were suddenly noved, no one would miss them. cause a new on-board computer tem is now capable of transmitting ctly the same information. Vhat's more, the system assures observance of speed limits in cal situations. And that means t when the engineer hits a curve t calls for 40 kilometers an hour, re's no way he can do even 41. Critical to the success of this tem are some very special phenol® connectors designed by nker Ramo engineers in England l Scandinavia. And what makes m special is the fact that each nector plug assembly includes e of 15 different printed circuits which are coded to allow for the various speed controls.

Today, through our well-known Amphenol connectors, Bunker Ramo has a leading position in the aerospace and aircraft industries, a strong foothold in telecommunications, and a growing role in fiber optics. In addition, we are a major producer of the data terminals and minicomputers that comprise the information systems widely used by commercial banks, thrift institutions, insurance companies and brokerage houses.



Most important, we are a company with a reservoir of high technology, a solid base of innovative products, and a strong management team.

Which is why today's Bunker Ramo is a company that's on the move. For our latest financial reports, write Bunker Ramo Corporation, Dept. FR, 900 Commerce Drive, Oak Brook, Illinois 60521.

BUNKER RAMO

Where the housing industry and governmental policy cross, the ren apartment business is being sacrificed. Not only landlords get hur

Let them eat condos

By Harold Seneker

LES NELSON used to take pride in being the biggest apartment builder on the West Coast. Over a 20-year period he put up some 15,000 apartment units, literally hundreds of buildings. A big, tough, affable man with a sharp financial mind, he takes credit for being the first to apply the sale-leaseback to the apartment business 12 years ago, thereby encouraging an entire tax-shelter industry. If ever there was a Mr. Apartment Construction, he was it.

But no more. L.B. Nelson hasn't built a rental unit since his last apartment project was finished in 1976. "Apartments are dead," he announces. "The cost of building and operating apartments has gone up so much faster than rents that most new building not subsidized by the government will have a negative cash flow. It pays too well to convert existing good apartment buildings into condominiums, compared to what you can get for them as rentals. And rent control is too great a threat to risk building or owning rentals anymore. It used to be just in New York. Now you find it in California, Washington, D.C.—all over the place."

Here's the sad part: All three problems have a common cause, the bumbling, occasionally malicious hand of the political marketplace, which is both the great benefactor and the great bane of the housing industry. Housing has been a political football for 35 years, and policymakers still keep an anxious eye on their politically potent homeowning constituency. Meanwhile, the thousands of builders and operators of the country's 27 million rental units have become so many unwanted stepchildren: When they are not being forgotten and ignored because homeowning households outnumber renter households 2-to-1, they are being remembered and maligned because their tenants outnumber landlords by even greater percentages and have a long list of politically exploitable gripes. When an antibusiness demagogu Tom Hayden wants an issue to exploit, what does he Rent control.

As a result of all this, the nation's rental stock is act shrinking. Some 2% of all rental units are normally conv to other uses, abandoned or destroyed in an average r year, according to the estimate of Michael Sumichrast economist for the National Association of Home Buil That's about 540,000 units annually. When multifamily s drop below that, the supply of apartments is unquestior going down. That has been the case in every year since 19

The actual situation is far worse than that gauge sugg Some guess 30% of the nation's multifamily starts are built as condominiums or coo tives in the first place and n become part of the rental stoc all. At the same time, rental single-family homes—still abo third of the total—are also sl shrinking in numbers as the mand for homeownership goes

Meanwhile, of course, the p lation is also going up, and rer tend to fall into particularly growing demographic gro young adults and old ones grown children; singles and di cees; two-income, city-lov childless couples. And at the po end of the scale, illegal alien welfare recipients. This de graphic pileup won't start to until the mid-Eighties.

For three years the official tional average for apartment cancies has hovered near 5%, a ure below what the industry siders the minimum (7%) at wh a civilized, *i.e.*, nongouging, ma can be maintained. But that's an average. Already, the rate cities like Seattle and Los Ang is a hypercritical 2%. When that tight, life sometimes tak desperate turn. In New York, example, half the town seems have a vicious-landlord story to the other half. Things have l since progressed past the p where who gets the apartment

A sampler of rents

New York: 220 E. 65th St., 2-bdrm, $1,800 + utils

Richard Nixon lives down the street at 142; he had a hard time finding a place, too. Buildings stand empty in the ghettos, but overall vacancy is 2.9%.

issue in the divorce: "I know some couples now," says ongtime, canny observer of the Manhattan real estate "who still live together strictly to have a place to live."
urally, rents are shooting up. But not, believe it or not, fast h. Inflation and the energy crisis hit construction with al force. The cost of land skyrockets. Labor costs zoom, ally for the strongly unionized heavy-construction trades d to build high-rises. Interest rates soar and building is lly financed with as much more than 80% debt as the bank t you get away with; local taxes jump so local governments eep up with the spiral; and fuel costs do to apartments y what they do to Detroit's gas-guzzling dinosaurs.
average, construction costs outrun inflation about 1½-10% inflation means 15% in building costs; at that rate *ouble* in five years. So costs have risen faster than rents ince inflation got seriously under way in the late Six- because renters tend to have less to spend, because of ontrol in some areas and because a sizable part of the stock is in the hands of "moms and pops" who can be ed with enough rent to make ends meet.
result is that in most places outside the South, where of these costs remain noticeably lower than elsewhere, partment construction is mostly subsidized housing for oor and elderly (some 250,000 units a year) and the onal luxury apartment complex. "The cost of building is t," says Michael Sumichrast dourly, "apartment owners ccept a negative cash flow for the first several years at It takes that long for double-digit inflation to bail out well-conceived project by diminishing the relative of its high initial fixed costs. "The only investors it sense for," concludes Sumichrast, "is the consortium of elter investors who need the writeoffs badly enough to ling to pay money into the project for several years, and ell it out for the capital gain. Anybody else would be off putting his money in a passbook savings account."
who can they eventually sell to? There *are* buyers. One th Barney Real Estate Corp., the real estate investment Smith Barney in New York. "We typically buy buildings e two to seven years old, in the suburbs of major cities ew York, Washington and Atlanta," says Vice President n Treadway, "for a cash-on-cash return of 8% to 10%. just did a new $29 million offering," he says satisfiedly. ad to give back $10 million. We were oversubscribed."
dway finds he can command that kind of return mainly e he has cash in a money-tight market. But why are ors so anxious to put their money out at 8% to 10%? e they hope to sell the properties a few years later for a ital gain.
Treadway, "After a few years we can resell to a condo- m converter. As a percentage of our total return, resale en fabulous for us."
mark this well: It is the prospect of condominium sion that makes the deal attractive, not the prospect of g ownership of rental properties. That can only make the on worse for renters. The big condo explosion in Chica- RBES, *Nov. 13, 1978*) may be over for now, but it's just under way everywhere else. Last year alone, according ly kept by Advance Mortgage Corp., a Detroit-based real lending arm of Oppenheimer, 145,000 rental units were ted into condos—2,000 in Atlanta (up from about 200 ar before), 2,500 in and around Boston, *8,000* in Denver ay down this year, reportedly because Denver's hot is busy nosing out oil-shale plays these days), 4,500 in t, 14,000 in the Los Angeles area, a depressed (by local hassles) 12,000 in New York and thousands more in like Seattle, Phoenix and Philadelphia. There were 00 units converted in Kansas City, which is about as ay from the two trend-setting coasts as you can get. s 15% to 20% of these units will eventually return to ntal market because they were bought by speculators eed to cover their monthly costs. But as for the other

Houston: 3237 Las Palmas, 2-flr, 2-bdrm, $669 + utils.
This apartment is near River Oaks, the exclusive oil millionaires' preserve. However, most units are found over in "Singles City," along Westheimer Road and near the Galleria: Most Houston renters are transients.

Santa Monica: 1044 20th St., 2-flr, 2-bdrm, $850 + utils.
Rent control or threat of it has halted construction in the Los Angeles area; small investors are fleeing small apartment buildings and buying into small office buildings or shopping centers. Vacancy rate: about 2%.

Chicago: 405 N. Wabash Ave., 2-bdrm, $800 + electric

If you can get in. Except for government-subsidized housing, almost no rental construction has gone up in five years. Meanwhile, the condo craze dried up the supply of good apartments. Vacancy rate: 3.8%.

115,000 or so apartments—they are probably gone for

This year, conversions will be slow, mostly becau average end buyer needs mortgage money to buy. Bu year, stand back. "There are 12,000 to 15,000 units pipelines in Manhattan alone," says Anthony Rolfe of berger-Rolfe Realtors, "which were waiting for the first ter mortgage rates to come down. Now the conversion ga this town is going bananas."

The reason is simple: Inflation and income-tax-b creep are driving Everyman to being a real estate spec and a seeker after tax deductions. In a marginal 35% brac almost factory-worker level these days—$1,000 in dedu monthly charges seems equal to $650 in nondeductible charges, *plus* the buyer gets what at least looks like a lead cinch capital gain on his down payment and, conscious unconsciously, he is willing to pay quite a bit for that priv His purchase is also, lest we forget, living quarters.

So an apartment is worth far more to its occupant t could ever be to the landlord. It is not uncommon for a building to fetch twice as much cash over its mortgages f converter as from another landlord or a Smith Barney Estate. In the heart of rent-controlled Washington, for e ple, Washington REIT traded one ready-to-be-converted ment building for two office buildings last year, and rea times cash over mortgages. The REIT's president, Frank says there was no way they could have sold to another lan for anything near that return.

Is there any hope for rental buildings? Michael Sumic thinks the increasing scarcity of rental units might acce rent increases enough so that by 1990 the rate of apart construction may rise to meet the existing demand. The is that the rising rents required to stimulate new rental struction will also strengthen the demands for rent co Attacking "greedy landlords" may prove even more profi politically speaking than attacking the local utility comp

ON SOUTHERN RAILWAY, THIS TRACTOR LOAD

"Guess how far it could travel on a truck."

L. Stanley Crane, Chairman, Southern Railway System, Washington, D.C. 20013

The railroad is the most efficient user of fuel in the transportation industry. Bar none. And the Southern Railway is one of the most efficient railroads in the country.

For instance, on the Southern, this 7,354-lb. tractor loader travels 61 miles on one gallon of fuel. How far could a truck carry it on the same amount of fuel? Well, the railroad is, on average, about four times more fuel-efficient than trucks and 60 times more efficient than planes. So it's easy to see that trucks can't carry freight anywhere near as far as railroads can per gallon of fuel

What does this mean for the future? Well, it means that trucks will be used less and less for long hauls.

More and more products will ride on the Southern, and trucks will be used for distribution at the other end of the line. Because, in the coming years, only the railroad will have the energy-efficiency for long hauls.

We have the energy for the long haul.

SOUTHERN

THE RAILWAY SYSTEM THAT GIVES A GREEN LIGHT TO INNOVATIONS

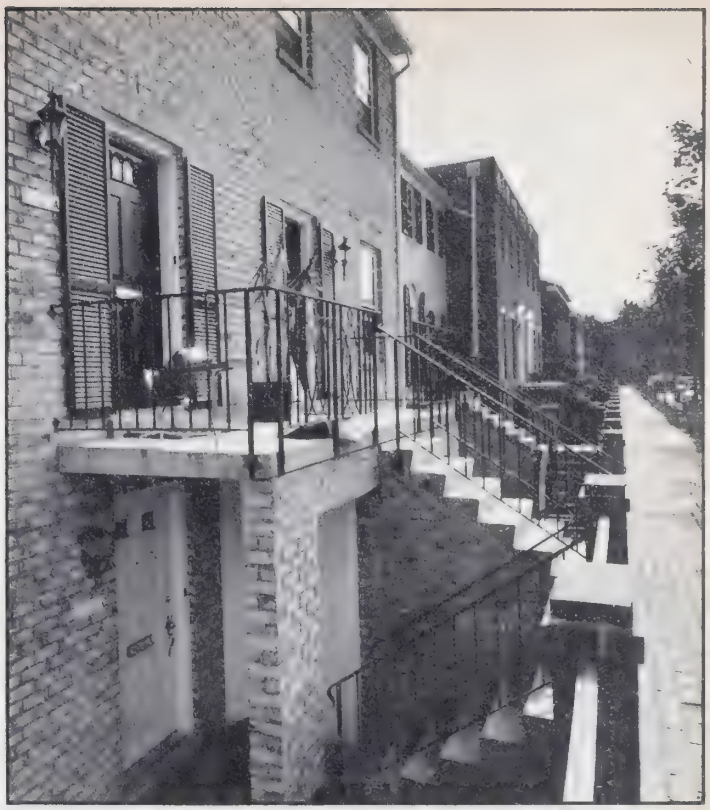
politicians hot on rent control aren't the only chilling would-be builders of rental properties. In its zeal for rm," Congress in 1976 cut sharply the tax "loopholes" ciation and other benefits available to owners of un- ed apartment buildings, thus worsening the tax sys- t against rentals and toward homeownership. In addi- me 200 local governments have enacted or seriously ed rent control, to limit rises in rents while doing at all to limit the faster rises in costs. Many localities seek to limit or choke off altogether the conversion alve—all to "protect" the renter. No wonder there is a of people willing to gamble big money on a proposi- t involves lots of risk, perhaps two years of building s another few years of negative cash flow before a return can be seen.

the renter—especially the working stiff who makes h to live in public housing but not enough to put a fat down payment, the young without savings and on fixed income—can look forward to a decade of in the neck. Or more.

while, the L.B. Nelsons of the world have moved on to ings.

los!" breathes Les Nelson, whose company is bigger r now, building all up and down the West Coast—but gle-family homes and condominiums. "That's where re is," he exclaims. "The big need now is for giving eople the opportunity to buy a 'starter' property and ilding equity for a better house. That's the only way ple are going to be able to own a home in the future. ilding 'garden-apartment' projects with studio condos t at only $35,000 to $40,000." Salesman that he is, he nakes you want to own one.

ere's one question he can't answer: What happens to ho haven't got the down payment or the credit to buy f property? ■



Washington, D.C.: 3285A Sutton Pl. NW, 2-flr, 2-bdrm, $725 + utils.
This quiet spot is ten minutes from downtown, where "gentrification" is gradually pushing poor blacks out of the old Capitol Hill slums and away from the traditional 14th Street borderline. Vacancy rate: 3.3%.

AVELS 61 MILES ON ONE GALLON OF FUEL.

Why would anyone tie up $26 million in the New York Mets? You gotta believe they're swinging for something other than the fences.

Wait 'til next year

By Allan Sloan

YOU LOOK FOR A shrewd business angle in the sale of the New York Mets baseball franchise. Here is Nelson Doubleday, scion of the largest book publisher in the country; George Scharffenberger, CEO of City Investing Corp., a financially sophisticated conglomerate operator; and Fred Wilpon of Sterling Equities, a young real estate superpromoter. These fellows were hardball players long before they ever thought of owning a ball club. So, you would have to believe, that when they shelled out a record $21.1 million to buy this sagging team and then threw in another $5 million for working capital, they knew something that other observers didn't see.

Well, that doesn't seem to be the case. No matter how you look at the numbers, it's going to take another miracle of the sort that catapulted the National League's foremost losers into the World Championship in 1969 and then gave them another shot at the title in 1973, when they won the National League pennant and made the Oakland As play seven games to win.

For their $26 million, the buyers—Doubleday & Co. (88.5%), City Investing (6.5%), and Sterling Equities (5%)—got a last-place team that for three years had been the laughingstock of New York. Last season, playing in the nation's biggest and best baseball market, it drew only 789,000 fans—less than half the major league average—at its 69 home dates.

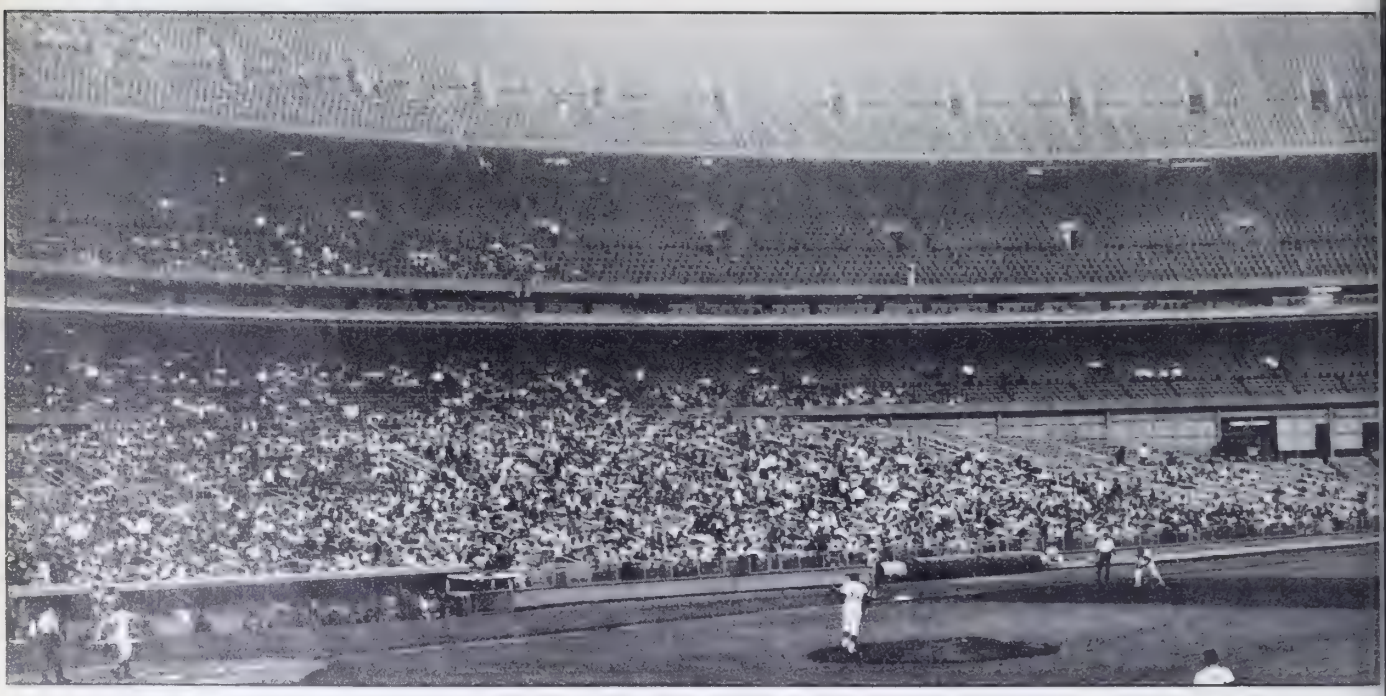
In its last years under the ownership of the Payson family, the Mets got rid of their most exciting players, and did everything possible to hold down costs, including passing up every chance to buy flashy free agents that were bringi the fans at other ball parks. Despit or because of it, the team took a ho a loss of around $3.5 million pre revenues of $8 million—last year, a park, New York City-owned Shea um, was falling apart.

Things are better this year. The was recently playing around .500 and attendance may reach 1.2 milli 50% from last year. Despite tha Mets will drop at least $3 million on operations this year, though so that will be recouped through tax b

On the face of it, owning a piece Mets—at the price the new o paid—is sheer lunacy. Not only ha owners already invested $26 m with no prospect of an early retur they will probably have to pour in millions before the team begins to ate a profit. The owners have mad ritualistic vows to spend enough m to buy players to make the team petitive"—marketing talk meanin team won't disgrace the owners stink up the joint.

But even if the Mets begin to well, which is possible, there's no ey—at least no real money, compa the size of the owners' investmen be made at the gate. If the Mets we miraculously begin drawing 2.5 m people a year, something they ha done since their phenomenal Am Mets days of the late 1960s and 1970s, they would be generating a r of about 12% pretax on a $26 m investment, plus a six-year tax be (depreciation of player contracts) another 6.5% pretax.

This is where marketing, the buzzword around Mets headqua



The Mets playing at Shea Stadium, with a lot of empty seats
The magic may be back, but a lot of the fans aren't.

in. The idea, according to Mets ent Fred Wilpon, isn't to turn a on attendance, though that would e. The idea is to spend enough on marketing and cosmetic es to generate excitement so that lue of the Mets' local television will soar when they come up for ter the 1981 season ends.

Mets now have a profit-sharing ement with WOR-TV that will e about $1 million this season. nkees, who were lucky enough to hree stations competing for their are in the first year of a five-year ct with WPIX-TV that brings in an e of $5 million a year. As they used when the Dodgers and Fred Wil- oth lived in Brooklyn during the wait 'til next year. "This is a workout situation," says the tele-

lpon, Mets president
g on the workout.

Wilpon, who hopes the promi- he gets in his Mets role will help ew deals to his Sterling Equities. nwhile, life isn't bad. Wilpon har- dreams of a professional baseball until he tore up his arm during his nore year at the University of an. So now he gets a little closer fantasy. Wilpon, who claims he's distressed real estate properties with paint and smart marketing, g the same type of cosmetics with ts. He commissioned a $400,000 Magic Is Back" ad campaign that's ts posters all over the city's sub- He's promoting individual players people will want to see them play. ven leaning on the ushers to make p-grubbing less flagrant. And he is about "unified graphics" and a niform of slacks and blazer for the to wear while they're traveling.

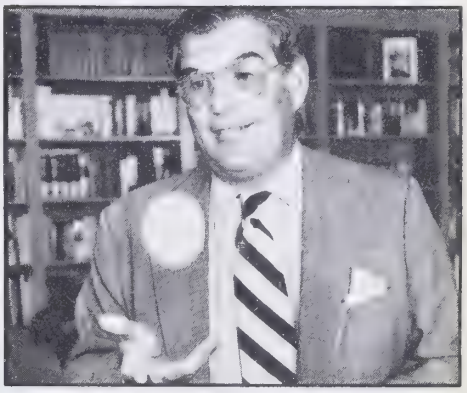
on had a fabulous stroke of luck a onths ago when the ad campaign unched. The irrepressible Jerry Femina, whose ad agency Della , Travisano & Partners has the t, was quoted as saying, among hings, that the difference between kees and the Mets is that you can Shea Stadium without being l. Baseball Commissioner Bowie ined the Mets $5,000 for the remark. It was the best advertising the team could have had. The fine was so bizarre that the Mets became a national news item, and "The Magic Is Back" got national distribution at no cost. "We couldn't have bought that publicity for $100,000," gloats Della Femina.

City Investing, a silent partner, claims the Mets aren't an investment—they're a PR item. Says Steve O'Neil, vice chairman: "We want to raise our profile in New York, to remind people we're a New York company," whatever that means.

That brings us to Nelson Doubleday, Mets chairman, chairman of highly profitable (1979 figures: $18 million in earnings on $367 million on sales) Doubleday & Co. and great, great nephew of Abner Doubleday, putative inventor of the Great American pastime. Nelson Doubleday personally owns 11% of the New York Islanders hockey team. A company subsidiary, Doubleday Sports Inc., owns the Mets (with City Investing and Sterling Equities holding pieces of the subsidiary).

Doubleday says his privately held book company can carry the Mets because there are no public stockholders to scream about the effect of the Mets' bottom line on profits. "We can afford to hold on, and other guys [who are publicly held] can't," he says.

The way Doubleday sees it, one of the Mets' main problems is the sorry state of



Nelson Doubleday, Mets chairman
Playing hardball—and owning it.

Shea Stadium, which the City of New York is renovating despite its endless financial crisis. Things are so bad, Doubleday says, that beer in the Shea concession storeroom is leaking into the Mets' executive offices. "If you want water, you go to the second-floor leak," Doubleday says. "If you want beer, you go to the third floor."

Needless to say, the Mets will have the usual promotions—jacket days, bat days and things like that. But Doubleday, laughing, says that he has an idea for an even better one, which can be used to determine whether or not his great, great uncle did actually invent baseball. "All the people who think he did can sit along the right field line, and the ones who think he didn't can sit along the left field line," he quips, "and they can chuck tomatoes at each other."

Clearly, the real reason Doubleday, Scharffenberger and Wilpon want the team is the same reason so many corporate types have been buying franchises for just about every professional sport anybody has tried to promote, even lacrosse. It's the manly swagger into the owners' box and the macho smell of the locker room. And as long as there are men with corporate and tax money to invest, there will be investments in marginal ball clubs. ■

Big hits, fewer errors

It's been 22 years since the late Walter O'Malley packed up Brooklyn's beloved Bums and moved west. Even so, from 3,000 miles away the Dodgers still make their would-be replacement, the Mets, look bad. While the Mets' mediocre management has generally fielded weak teams (excepting 1969 and 1973) and drawn embarrassingly thin crowds, the fat, sassy Dodger management has been mining the mother lode of baseball—Los Angeles and its adoring fans.

Consider:

- The Dodgers hold four of the five major league season attendance records, setting the top three in 1978, '77 and '79 respectively.
- The Dodgers are the only team in baseball ever to break the 3 million season paid attendance mark—3.3 million in 1978.
- The Dodgers draw more fans on the road than most teams do at home, more than 2 million in each of the last two seasons.

Why? It's simple. First, the Dodgers field contenders. Only Cincinnati, Baltimore and Pittsburgh have better winning percentages during the last decade. Second, the players are loyal to the Dodger organization and to their fans, a rarity in today's peripatetic baseball world in which good players have more stickers on their suitcases than Billy Martin. Six of the eight Dodger starters this year have played for no other pro organization but the Dodgers. Third, tickets are cheap. They've gone up only a dollar since 1958, remaining well below those of most other teams. The Dodgers' average price this year is $3.75, compared to the Mets' $4.93 and the Yankees' $5.85. Fourth, the weather is great in season (only ten postponed games since Chavez Ravine ball park opened in 1962). Last, the hot dogs are tasty and inexpensive (80 cents for a foot-long) and the stadium is squeaky clean. No gimmicks—just a big bang for the fan's buck.—*John Merwin*

The second generation of Devereux couldn't be bothered running Oneita Knitting Mills. But the third generation turned it into one of the most profitable apparel firms around.

The generation syndrome

The Up-And-Comers

Oneita's Robert Devereux
Making a fortune by going long—in underwear.

I HAD AN OLDER BROTHER who back from the war about the time I did," says Robert Deve president of Oneita Knitting. "The ness bored him. One day I was i cutting room and he came in, tappe on the shoulder and said, 'Bob, you l what you can do with this business

"I said, 'No.' "

"He said, 'You can stick it up you So I bought him out."

Big brother (a technical librarian Jet Propulsion Laboratories) made mistake. Today Oneita earns $6.3 lion on $46 million in sales of r underwear, sportswear and child clothing. Oneita's superb 34% retu equity last year was neck and neck industry leader Levi Strauss and ahead of larger competitors suc Springs Mills.

Wall Street is as bored by all th Devereux' older brother. Oneita mon trades at less than 2 times earn Partly that's because the stock i scarce as hen's teeth—the Deve family still owns over 60% of it, there are only 250 other sharehol But another important reason for low multiple is that every Wall Stre knows nobody wants to be in a busi as cutthroat as men's underwear. Tl years ago there were about 125 manu turers of men's underwear in the Today there are only about 20.

Devereux attributes this to wha calls the "third-generation syndrom

"Most of the men who built the ur wear companies were good entre neurs," he says. "The business had l in the family. The fathers were str The grandfathers were strong. But w it hit the third generation, that's w most of them got out." This was a lege-educated generation that wante be lawyers, doctors and aerospace e neers—not underwear kings.

Oneita was fortunate enough to ha strong third generation: Bob Deverec Lyndon Johnson look-alike who en laughing, particularly at his own jo He is aided—substantially—by his w Jan. Though she has no formal tit "I'm sort of a jack-of-all-trades"— runs one plant, holds a director's seat helps in most of Oneita's operations.

They met in 1969, when Mrs. D. w Girl Friday in Oneita's New York s office. In spite of the 21-year gap ages—she's now 36, he's 57—they m ried seven years later. When Dever answers questions about the compa she perches on a chair across the roo filling in words and tidbits that he forgotten. She seems to remember m of the company's history than he does

Oneita's problems came up in the s ond generation, not the third, says D ereux. "When my grandfather died, no of his children cared much for the bu ness at all. My Uncle Ramsay ran it

antly. Business worried him so much ad migraine headaches."

ncle Ramsay may have had an achnead, but he compensated for it with lging pocket. He bled the company huge dividends. In 1934, in the hs of the Depression, Oneita was nate enough to make a profit. Yet, 79,000 in earnings, Uncle Ramsay out $194,000 in dividends. The firm ted earnings dramatically by capital- every nail—and then paid divils out of assets. Mrs. D.: "They liked ve good in that generation."

hen Devereux joined the company ime in 1945, it was a shambles. The was then based in Utica, N.Y., h had been the center of the textile stry in the U.S. at one time. But by nd of World War II the unions, high s and high taxes had driven most of companies south. Devereux was rent to move. After all, the firm had there 71 years and Devereux had n up in Utica. Finally he was driven ove by rampant pilferage.

r. D.: "I noticed a whole bunch of ms being bought in a certain department, so I came down there one night I found a man taking brooms and wing them out a window."

rs. D.: "And light bulbs, too."

r. D.: "People were using us for lumo build their own homes and people tapped into our electrical system to he homes. So, I shut it down and we ed to Andrews, S.C."

ndrews was a sleepy little town borng the tiny Black River. "Those were ably the worst years of my life, get- people trained in picking tobacco cotton to run the sewing machines."

rs. D.: "It was a bankrupt town. e were only two cash customers that the bank alive in the 1930s: Bernard ch and Hazel's Whorehouse."

e first four years in Andrews, Dev- x lost a total of about $2 million, the t loss Oneita had ever suffered.

how did Devereux turn this strug-, near-bankrupt firm into a money hine? Well, he knew he had inherite valuable asset from the previous ration: the Sears connection. Oneita ears' oldest surviving supplier. So ereux could rely on a steady stream les, even through the hard times, as as Oneita could provide the goods.

t Devereux was also smart enough nderstand the dangers of such a lucra- contact. Some day the market might away from Sears. So he went after r markets with a vengeance. He fig- Oneita was a small enough factor Sears would allow him to get away it. Today, although 30% of Oneita's still come from Sears, the company so a supplier for K mart, J.C. Penney Montgomery Ward. This provides tional protection in case any one of n suffers a slump.

There's another benefit of marketing through just four major retailers: Unlike competing Union Underwear, a division of Northwest Industries which makes Fruit of the Loom, Oneita hasn't had to spend anything on advertising to support a brand name. The Sears or Penney private-label brand was enough. Nor did Oneita have to field a costly sales force. Each of its four big retail outlets, in effect, provided nationwide distribution from just one sales call. Today the four retailers generate an estimated 37% of the sales in the entire underwear industry on their private-label products. Oneita still has only about 16% of that—or 6% of the total market. That leaves lots of room for growth, without expensive ad campaigns.

The key to selling more goods to those retailers is in keeping the wholesale price low on a consistently reliable product. Here Devereux excels, especially with his own raw material costs . "The trick is knowing when to buy yarn—that's our commodity," he says. "Up until recently, we've had to set our prices for a full year ahead. With inflation today, we've cut that back to six months. But if you go out for six months' commitment of underwear for someone at $2.99 a T-shirt, you'd better have your commodity costs covered."

Devereux spares no effort in this regard. "In 1971," he recalls, "I heard that there was a good, inexpensive yarn to be had in Portugal—the government there wanted to export it. So, I spent a month going through every yarn mill in Portugal and had the stuff shipped over here at a savings to us of about 20% over U.S. prices. I think we were the first U.S. firm to buy yarn in Portugal."

Unfortunately, this kind of horse trading is getting more difficult all the time. The yarn industry has had a shakeout in the last decade and the number of suppliers has been cut in half, to about 25. That makes it trickier to play one firm against the other for good deals—a vital trick in the yarn-buying business.

But low raw material costs aren't the only key to Devereux' low-cost operation. Now he can pour money back into his plants. "Until last year, we were operating some machines that my grandfather bought," he says, "but we've replaced them all with new high-speed machines which cost us a good $4 million in the last three years. They cut down our defects from about 8% to about 2%."

In order to put that kind of money back into the plant, Devereux has kept the dividends—most of which, of course, are paid to him—lean. Last year the firm paid 60 cents a share on $6.86 of earnings. That's $40,000 less in dividends than Uncle Ramsay paid out in 1934, when the firm was 7% as large.

Of course, the low dividends don't prevent the Devereux from living quite nicely, thank you. For travel, there's a

Own a bottle.

It's worth the price to have at least one thing in your life that's absolutely perfect. Tanqueray Gin, a singula experience.

PRONOUNCE IT "TANKER-RAY" DISTILLED & BOTTLE IN LONDON. 100% NEUTRAL SPIRITS 94.6 PROOF IMPORTED BY SOMERSET IMPORTERS LTD., N.Y.

private jet leased to Oneita. When in New York—every other week or so—they have a sumptuous apartment above the company-owned sales offices. In Andrews, there's a tiny apartment to supplement the exclusive condominium in nearby Litchfield. But they aren't draining the firm by any means. For Bob Devereux, a ten-hour day is routine.

Devereux gets the most out of his workers, too. Although they are largely unionized, they are paid piecework. That means that Oneita is really getting the most for its money. If a sewing-machine operator works hard enough, she can make $8 an hour—producing maybe 3 times as much as hourly workers getting the same money elsewhere. On a quick tour of Oneita's sport-shirt plant you see hundreds of women, hands flying, never looking up, sewing collar after collar without a moment's pause.

Devereux: "I think I'd go crazy if I had that job."

Mrs. D.: "Oh, they don't mind it."

All this—savings on raw materials, much money reinvested and high productivity—makes for greater profitability. But it doesn't really help growth. So Devereux has started to diversify. The firm's doubling in size since 1973 is attributable primarily to its sportswear lines. "We use underwear as our bread and butter," says Devereux, "but we've really made money in sportswear."

Admittedly, that diversification was a long time coming. Oneita bought a plant in Alabama in 1962 as an initial thrust into sportswear, but for about ten years it was more like a feeble jab. Fortunately, the underwear division kept throwing off cash, which enabled Oneita to pay its bills while it learned from its mista In 1972, however, Devereux bought two designers, put them in the sp wear division, and it clicked. It has b a rapidly growing moneymaker since, accounting for some 60% of O ta's earnings last year.

Oneita's Jan Devereux
Filling in the history her husband has forgotten.

Some of Oneita's spectac growth may not last. Last T-shirts became crucial in t agers' wardrobes, largely because s screeners decorated them with whir cal phrases and rock stars' faces. De eux resisted the temptation to put in own silk-screening operation, happy accept the extra business without hav to put up any additional capital. So i shirt sales decline, there won't be silk-screening equipment writeoffs.

Devereux has also ventured cautiou into the baby-apparel business. Onei recently launched baby business, run Devereux' 28-year-old daughter Con (by his first marriage), currently ger ates just 5% of sales. But the opportu ties for growth are enormous.

Certainly such growth areas are cru for Oneita. There's a huge brick wall the way of its underwear base cal Union Underwear, which has 25% of market and the powerful Fruit nar Since Union is integrated as far back producing its own yarn, a price war is out of the question.

You might think that Union would trying to buy out little Oneita every we After all, Oneita should pay back its c rent market value in just two years earnings. But, beyond the fact that Dev eux claims he wouldn't sell, Union wo have trouble making the offer. That fi skirted antitrust problems when it to over the BVD name in 1976; any ot major acquisitions in the industry mi bring the Justice Department in.

With solid profits, good growth an recession-proof base—people buy und wear even in the worst of times— would seem that Oneita has no pr lems. That third generation has done job well. But what about the fourth ge eration? Devereux will be 65 in eig years. Well, there's his daughter.

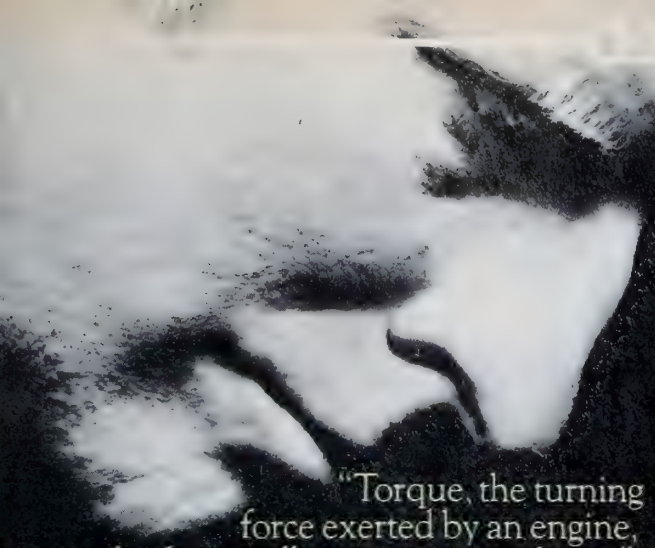
Mr. D.: "I don't think that she wa it, do you?"

Mrs. D.: "I *don't* think she wants it."

Will Mrs. Devereux take over? Af all, she'll be 44 in eight years. Wh asked, Mr. Devereux talks about strong second layer of management. B the strongest worker in the second le is probably Mrs. D.

Bob Devereux doesn't have to wor of course. He could get quite a bit for stock. Quite a bit more than the $12.5 share (2 times earnings) he paid to buy 12,000 shares last year. He admits th he has "considered" selling some of h stock "after a few more good years Then he smiles serenely.

He's got reason to.—*Richard Greene*



"Torque, the turning force exerted by an engine, is critical to how well any car can accelerate," states Dr. Franz Behles, Project Director of the new Audi 4000 automatic. "But when equipped with an automatic, torque becomes doubly important, since the performance of the transmission itself also depends on it. By increasing the number of cylinders to five, we've matched the engine's torque output to the inherently greater demands of an automatic. Its maximum torque is raised nearly 20% and developed at a mere 3,000 rpm."

providing comfort for five, or to the 4000's nimble maneuverability, enhanced by power-assisted rack and pinion steering—standard with automatic.

"Since typical American driving involves constant changes of speed, it's no wonder many consider an automatic indispensable. But for merging with expressway traffic or climbing hills, acceleration is also important. Drive this new Audi. I think you'll agree one more cylinder makes an automatic that not only meets the demands of American driving, but gives away nothing... even to Audi 4000 standards."

For your nearest dealer, call toll-free: (800) 447-4700. In Illinois: (800) 322-4400.

We added one more cylinder to make an automatic 4000 that measures up to Audi standards.

The result is effortless acceleration comparable to the 4-speed version of the 2 or 4-door Audi 4000. This, without compromise to the space efficiency of front-wheel drive.

The fifth piston of an automatic Audi 4000, held by Project Director Dr. Franz Behles.

PORSCHE + AUDI
NOTHING EVEN COMES CLOSE

America is a magic land for the traveler. And there's no better way to see it than close-up on America's number one transportation carrier—Greyhound.

Greyhound buses take more people more places in this great land than anybody else on earth. Or in the sky: Like famous Fisherman's Wharf, cradled in the romantic city of San Francisco and known the world over for its waterfront restaurants and delicious seafood

But comfortable, convenient transp is just the most visible part of Greyhound service to America.

Greyhound also feeds us. Our Arm Division is America's number one produ bacon and number two seller of hot dog Greyhound Food Service feeds thousan Americans daily under contracts with ev from the players on the Houston Oilers t workers at General Motors.

We're as basic to America as a summ

hound serves our personal needs. Our
d is the nation's best-selling deodorant
a leading name in antiperspirants and
s, while our Tone has become one of
popular new soaps in a decade.
Greyhound serves our corporate
s a leader in both capital equipment
puter leasing, Greyhound leases
g from trains to the railroads to jumbo
airlines.

cation.

Plus, Greyhound rents cars, writes insurance, fuels aircraft, builds display booths and generally does everything from hosting Las Vegas conventions to spinning the yarn for Grandma's shawl.

In short, Greyhound isn't just "the bus company" anymore; it's "the omnibus company"—a $5 billion, diversified corporation serving America in a hundred basic ways.

Greyhound Corporation *The omnibus company.*

Palmer and Rolex. Masters of style.

There's that magic moment in the quiet hush, the dimpled ball poised proudly on its tee. Then a sudden blur of concentrated force cracks and the streak of white arcs downcourse, lofts long and straight, bounces once, twice, and rolls to a precision stop. Then there's the famous grin, the squint, the cant of the head... no one else plays the game quite like Arnold Palmer.

It's more than the multiple championships in the Masters, the U.S. Open, the British Open, the Ryder Cups or the Player of the Year awards. It's more than the private jets, the lucrative entrepreneurial ventures and the television commentary.

It's style. The Palmer style. The no-less-than-heroic play. No single person has done more to move golf from the elite to the masses. Arnie's Army is no misnomer. His fans are legion and he is legend; he's reinforced his reputation every step of the way.

Like the Rolex he wears... a testament to style, to endurance, to timeless value. A statement of true craftsmanship. Handmade step by step from a solid block of gold or stainless steel, there will never be another watch remotely like a Rolex. And Mr. Palmer? We're certain he's equally secure.

ROLEX

Pictured: The Rolex Day-Date Chronometer. In 18ct. gold with matching President bracelet.

Write for brochure. Rolex Watch, U.S.A., Inc., Dept. 109P, Rolex Building, 665 Fifth Avenue, New York, NY 10022.
World headquarters in Geneva. Other offices in Toronto and major cities around the world.

e are political refugees and there are ncial refugees. Financial refugees?

A fresh start in America?

ng machine king John Bloom relaxes in Majorca
of his favorite places: the U.S.

By Maurice Barnfather

A FEW MONTHS AGO the Securities & Exchange Commission asked London's police about Judah Binstock. Like most Americans the SEC knew little of him but it had its suspicions. It soon found that Binstock faces arrest in Britain for his alleged part in a $15.3 million currency swindle. Binstock is but the latest in a long line of shadowy European businessmen who, when leaving home in a hurry, head not for South America, but for the U.S.

To come here they need a "substantial amount of capital," say, $100,000. That's the law. The locals' lack of knowledge about European roguery does the rest. These men are clever and credible, which is how they first made money. And when their companies collapse, as many did during Britain's early-Seventies financial crisis, they invariably walk away with wallets bulging. Their stockholders do not.

Once here these people quickly set up shop again. Americans are still impressed by an English accent, apparent wealth and formidable European contacts. Who are these colorful characters? Let's start with Binstock.

• Judah Eleazer Binstock, a 48-year-old lawyer-financier, lives in Spain's Marbella (no extradition treaty on currency crimes) and has the use of a Paris flat, a villa in Portugal and a Miami house. He quit Britain in 1968. A warrant for his arrest covers November 1974 to May 1975. At that time U.K. residents buying overseas stock had to pay a hefty premium for their "investment dollars," which was returned less a 25% exchequer deduction, when they sold. But some financiers devised schemes to get this premium without paying it in the first place. Binstock allegedly "repatriated" $15.3 million, garnering a $4.7 million premium. He is often described by British policemen as a "Godfather" figure.

So what is he doing here? A U.S. over-the-counter stock, Technology Equity Corp., is his plaything. Launched in 1976, TE failed to fly. Neal R. Bruckman, whose New York-based Trafalgar Capital Corp. is a kind of "corporate doctor," bought a controlling 72% from the original owners. Last year 37-year-old Bruckman, an investment banker who appears on WWHT-TV's program *Wall Street Perspective,* sold out. Miami lawyer Richard Friedman represented the Binstock interests and Bruckman had no knowledge of Binstock. At the contract-signing ceremony in Manhattan was Baroness *(sic)* Isdell von August, expensively dressed and just off the Concorde from Paris. Oddly enough, she spoke with an Australian accent. The "Baroness" signed the contract for Binstock, who prefers to remain in the background.

TE has since bought restaurants and

At Crane we believe in basics.

That's why we're versatile in valves.

Very little moves around here without Crane. At Marathon Oil's Louisiana refining facility our valves help to control the flow of business from top to bottom. They handle the toughest jobs, too—with temperatures running to 1100 degrees F.

Since 1857, Crane has been a dominant force in making valves. Today's output includes everything from mass-produced quarter-inchers to giants of 5 tons and larger.

But being the manufacturer of the world's broadest line of valves is just one of our tasks. Crane is into a lot of other basics as well. We're strong in steel. Big in cement—and building products and aircraft and aerospace systems, and fluid and pollution control equipment.

Basic products for basic industries. That's what Crane is all about

Crane Co., 300 Park Avenue, New York, NY 10022

CRANE ®

ieques on Portugal's Algarve coast tains an over-the-counter listing. s a man like Binstock doing with a er-the-counter U.S. stock? That's ne SEC would like to know.

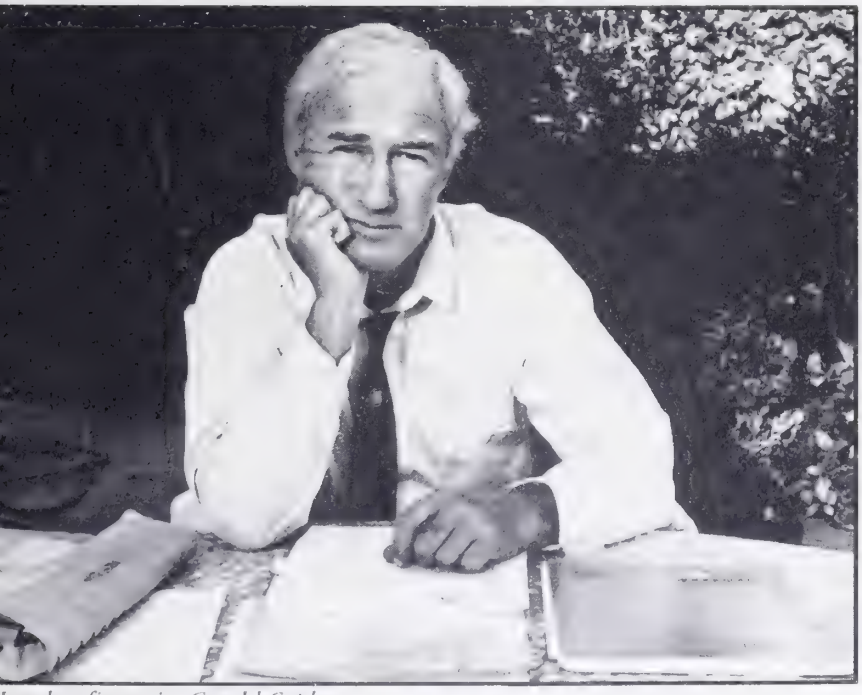
avid Rowland, a short, rotund, be-cled young man, luxuriates on ork's Park Avenue. His U.S. inter-an fuel oil in the Sunbelt to proper-ne East. Currently he accuses Dic-e of fraud in the 1972 sale of an urniture company to Rowland's ns Hudson, a British fuel and ort group. Rowland wants $28 mil-e says they sold him a pup instead Great Dane he thought he was buying. Dictaphone denies the charges and is countersuing. But Dictaphone's management should have known better than to tango with Rowland.

In 1968 Rowland became a millionaire at the age of 23 when he brought Fordham Investment public in London. Two years later he took his money and ran, selling control secretly for $6.5 million. He was chastised by the City of London's elders for selling without informing the other shareholders. Rowland set up shop in Paris, moved his money to the tax shelter of the Bahamas and returned (though physically remaining offshore) in 1971 with a bitterly fought $19.3 million bid for Williams Hudson. He gained control and, six years later, having many times angered minority shareholders with his maneuvering, successfully bid for the rest at a lowly 58 cents a share compared with a peak of over $4.60. In 1976 Venesta International, a timber and packaging group 47% owned by Hudson, went bankrupt owing $48 million.

To add to that, Rowland, who owns a casino in London, has repeatedly been denied licenses for further casinos. Yet the First National Bank of Boston provides lines of finance for Rowland.

s Hudson's David Rowland
n disapproves; Boston doesn't.

Former banker Tom Whyte
The new game is U.S. coal.



London financier Gerald Caplan
g to hang on in Bel-Air.

- Christopher Selmes also has a home on Park Avenue and, like Rowland, is in his mid-30s. Selmes, tall and painfully thin, is trying to build an investment advisory business. Yet only last year Britain's Department of Trade reported Selmes' involvement in some questionable dealings in the early Seventies. The department's allegations include: bribery; withholding information; using shareholders' funds for private purposes; directors acting in their own rather than shareholders' interests; breaching the takeover code and companies acts; irresponsibility and deplorable conduct. One Selmes company went bust owing $40 million. Britain's Director of Public Prosecution took no action, which is not unusual for a case four years old whose key figure is abroad.
- John Bloom, now 48, whose once highly successful Rolls Razor washing machine group sank in the 1960s, has also been working in the U.S. Last year Bloom was charged in New York in an alleged international film-piracy racket. The piracy ring supposedly operated in California, London and the Middle East.
- Tom Whyte, 53, a Hungarian native, built Britain's Triumph Investment Trust during the freewheeling late Sixties and early Seventies. It went spectacularly wrong during the 1974-75 financial crisis. Now Whyte is in the U.S. coal-mining business. Or rather, he has been selling rights for coal mining, a useful tax shelter for people with high incomes.
- Gerald Caplan, once chairman of London & County Securities, presently faces extradition from the U.S. to Britain on charges of stealing $5.6 million from his crashed company, whose failure was the harbinger of the great 1974-75 financial crisis. Caplan denies all and is fighting to stay in Los Angeles' posh suburb of Bel-Air. A British government report said of him: "He had less regard for the truth and a lower standard of integrity than is reasonably to be demanded of the chairman and managing director of a public company."

Funny, isn't it, how many otherwise sensible people will entrust big money to promoters who have little to recommend them but a smart line of patter, a fair amount of charm and an ability to impress headwaiters. ■

This advertisement is neither an offer to sell nor a solicitation of offers to buy any of these securities. The offering is made only by the Prospectus.

NEW ISSUE

July 14, 1980

$200,000,000

Marathon Oil Company

10¼% Notes Due 1987

Price 100%

plus accrued interest from July 15, 1980

Copies of the Prospectus may be obtained from any of the several underwriters, including the undersigned, only in States in which such underwriters are qualified to act as dealers in securities and in which the Prospectus may legally be distributed.

The First Boston Corporation

Morgan Stanley & Co. Incorporated

Goldman, Sachs & Co.

Merrill Lynch White Weld Capital Markets Group
Merrill Lynch, Pierce, Fenner & Smith Incorporated

Salomon Brothers

Bache Halsey Stuart Shields Incorporated

Bear, Stearns & Co.

Blyth Eastman Paine Webber Incorporated

Dillon, Read & Co. Inc.

Donaldson, Lufkin & Jenrette Securities Corporation

Drexel Burnham Lambert Incorporated

E. F. Hutton & Company Inc.

Kidder, Peabody & Co. Incorporated

Lazard Frères & Co.

Lehman Brothers Kuhn Loeb Incorporated

L. F. Rothschild, Unterberg, Towbin

Shearson Loeb Rhoades Inc.

Smith Barney, Harris Upham & Co. Incorporated

Warburg Paribas Becker A. G. Becker

Wertheim & Co., Inc.

Dean Witter Reynolds Inc.

multimillion-dollar class-action-type lawsuit may just be the iest thing that has ever happened to the U.S. legal profession.

Getting into those deep pockets

By Howard Rudnitsky with Jeff Blyskal

ST SUMMER, in an out-of-court ettlement, $218 million in damges was awarded to 30,000 cus- of a group of folding-box manu- s accused of fixing prices. The ent came after several years of n. For the customers, the average vas $6,790, hardly a large sum to nce more than a few were multi- -dollar businesses. But for the representing the customers it ifferent matter. The 50 law firms d split $13 million in legal fees, e most active firms in the case in a cool million each.

a few months before the folding- decision, part of another price- ase was settled by 33 of 36 corru- ox makers. (The other three de- companies have chosen to try ck in court.) This one was for ore: $310 million. Some 62 law re expected to ask the courts to them $25 million for their ser- this case billed at an estimated $235 an hour for 2½ years of f the court agrees, each of the tive law firms involved could get an $1.5 million. The average in- ass member might get $1,425.

ontingency fees are nothing new U.S., but they traditionally in- personal-injury suits and often a of people. The rise of consumer- increasing awareness of inves- ghts vis-à-vis management and big-business trend in the country e contributed to an increase in tion and mass-disaster suits against big corporations. An- evelopment, used where court rul- legislation have made class-ac- ficult, is to have lots of plaintiffs rly identical suits as individuals, en try to settle out of court en All this has been a bonanza for . In these "wholesale" suits, instead of one or two lawyers representing a few clients, several firms may represent fifty, a hundred—perhaps thousands—with potential fees and damages mounting accordingly. True, those big fees aren't all profit. But there's a lot of gravy.

Even government is not immune from such suits. A federal judge in March awarded more than $2.2 million in fees to the Center for Law in the Public Interest in Los Angeles. It followed settlement of a successful eight-year class action battle to make a 17-mile freeway across the city's south side comply with government regulations. These guardians of the public interest represented the residents in the freeway's path. The Court ruled for a scaled-down freeway, and also decided that the California Department of Transportation would have to pay the law firm's fees. So California is asking the federal government to reimburse 92% of what it must pay. Who pays in the end? The federal taxpayer.

At its usual hourly fee, the public interest law firm would have received only $630,000. However, the judge applied a multiplier of 3½ times, reflecting, he said, "the contingent nature of the case and the quality of counsel's work." He also said it represented the delay in receiving fees and "the impact of inflation." California's transportation department attorney is protesting the size of the fee and the ruling is under appeal.

In most of these cases, of course, the plaintiffs did get something. But in perhaps the prize class-action suit of all, the plaintiffs got next to nothing. About seven years ago an enterprising Chicago lawyer named Michael Sklar and two law firms began a suit against Detroit Edison on behalf of a druggist and all other sellers of light bulbs in southeastern Michigan. For years, some electrical utilities gave away light bulbs to customers, building the costs into their rate bases. Sklar's firm, Fohrman, Lurie, Holstein, Sklar & Cottle, claimed this was in violation of antitrust laws because it took business away from retail bulb sellers. The case went all the way to the Supreme Court and ultimately Detroit Edison was enjoined from continuing the giveaway program. Thousands of Detroit Edison customers lost their "free" light bulbs. Druggists and other retailers got to sell bulbs. But the three law firms demanded $1.5 million in fees, and after nearly two years of legal sparring the

The Corrugated Containers Case

In 1978 some 62 law firms brought a class-action antitrust suit in Houston on behalf of 200,000 class members against more than 36 forest products companies for allegedly fixing corrugated container prices over a period of years, resulting in an estimated $2 billion in damages. Private attorneys got busy after the U.S. government lodged criminal indictments against the companies. Most pleaded "no contest," but two defendants who pleaded "not guilty" were acquitted of the criminal charges, which are harder to prove than civil charges. The civil case, however, resulted in the largest out-of-court settlement ever in a class-action suit.

Total award:
$310 million to date
Estimated plaintiff lawyer fees:
$25 million
Estimated out-of-pocket costs:
$5 million
Estimated average fee per major firm:
$1.5 million
Estimated average hourly legal fee:
$235
Estimated average award per class member:
$1,425 to date

This advertisement is neither an offer to sell nor a solicitation of offers to buy any of these securities. The offering is made only by the Prospectus.

NEW ISSUE

July 14, 1980

$200,000,000

Marathon Oil Company

10¼% Notes Due 1987

Price 100%

plus accrued interest from July 15, 1980

Copies of the Prospectus may be obtained from any of the several underwriters, including the undersigned, only in States in which such underwriters are qualified to act as dealers in securities and in which the Prospectus may legally be distributed.

The First Boston Corporation

Morgan Stanley & Co. Incorporated

Goldman, Sachs & Co.

Merrill Lynch White Weld Capital Markets Group
Merrill Lynch, Pierce, Fenner & Smith Incorporated

Salomon Brothers

Bache Halsey Stuart Shields Incorporated

Bear, Stearns & Co.

Blyth Eastman Paine Webber Incorporated

Dillon, Read & Co. Inc.

Donaldson, Lufkin & Jenrette Securities Corporation

Drexel Burnham Lambert Incorporated

E. F. Hutton & Company Inc.

Kidder, Peabody & Co. Incorporated

Lazard Frères & Co.

Lehman Brothers Kuhn Loeb Incorporated

L. F. Rothschild, Unterberg, Towbin

Shearson Loeb Rhoades Inc.

Smith Barney, Harris Upham & Co. Incorporated

Warburg Paribas Becker
A. G. Becker

Wertheim & Co., Inc.

Dean Witter Reynolds Inc.

multimillion-dollar class-action-type lawsuit may just be the iest thing that has ever happened to the U.S. legal profession.

Getting into those deep pockets

By Howard Rudnitsky with Jeff Blyskal

AST SUMMER, in an out-of-court settlement, $218 million in damages was awarded to 30,000 cus- of a group of folding-box manu- ers accused of fixing prices. The nent came after several years of on. For the customers, the average was $6,790, hardly a large sum to since more than a few were multi- n-dollar businesses. But for the s representing the customers it different matter. The 50 law firms ed split $13 million in legal fees, he most active firms in the case in a cool million each.

a few months before the folding- decision, part of another price- case was settled by 33 of 36 corru- box makers. (The other three de- t companies have chosen to try uck in court.) This one was for nore: $310 million. Some 62 law are expected to ask the courts to them $25 million for their ser- in this case billed at an estimated $235 an hour for 2½ years of If the court agrees, each of the ctive law firms involved could get han $1.5 million. The average in- lass member might get $1,425.

contingency fees are nothing new U.S., but they traditionally in- personal-injury suits and often a l of people. The rise of consumer- n increasing awareness of inves- ights vis-à-vis management and ibig-business trend in the country ve contributed to an increase in ction and mass-disaster suits t against big corporations. An- evelopment, used where court rul- r legislation have made class-ac- fficult, is to have lots of plaintiffs arly identical suits as individuals, en try to settle out of court en All this has been a bonanza for s. In these "wholesale" suits, instead of one or two lawyers representing a few clients, several firms may represent fifty, a hundred—perhaps thousands—with potential fees and damages mounting accordingly. True, those big fees aren't all profit. But there's a lot of gravy.

Even government is not immune from such suits. A federal judge in March awarded more than $2.2 million in fees to the Center for Law in the Public Interest in Los Angeles. It followed settlement of a successful eight-year class action battle to make a 17-mile freeway across the city's south side comply with government regulations. These guardians of the public interest represented the residents in the freeway's path. The Court ruled for a scaled-down freeway, and also decided that the California Department of Transportation would have to pay the law firm's fees. So California is asking the federal government to reimburse 92% of what it must pay. Who pays in the end? The federal taxpayer.

At its usual hourly fee, the public interest law firm would have received only $630,000. However, the judge applied a multiplier of 3½ times, reflecting, he said, "the contingent nature of the case and the quality of counsel's work." He also said it represented the delay in receiving fees and "the impact of inflation." California's transportation department attorney is protesting the size of the fee and the ruling is under appeal.

In most of these cases, of course, the plaintiffs did get something. But in perhaps the prize class-action suit of all, the plaintiffs got next to nothing. About seven years ago an enterprising Chicago lawyer named Michael Sklar and two law firms began a suit against Detroit Edison on behalf of a druggist and all other sellers of light bulbs in southeastern Michigan. For years, some electrical utilities gave away light bulbs to customers, building the costs into their rate bases. Sklar's firm, Fohrman, Lurie, Holstein, Sklar & Cottle, claimed this was in violation of antitrust laws because it took business away from retail bulb sellers. The case went all the way to the Supreme Court and ultimately Detroit Edison was enjoined from continuing the giveaway program. Thousands of Detroit Edison customers lost their "free" light bulbs. Druggists and other retailers got to sell bulbs. But the three law firms demanded $1.5 million in fees, and after nearly two years of legal sparring the

The Corrugated Containers Case

In 1978 some 62 law firms brought a class-action antitrust suit in Houston on behalf of 200,000 class members against more than 36 forest products companies for allegedly fixing corrugated container prices over a period of years, resulting in an estimated $2 billion in damages. Private attorneys got busy after the U.S. government lodged criminal indictments against the companies. Most pleaded "no contest," but two defendants who pleaded "not guilty" were acquitted of the criminal charges, which are harder to prove than civil charges. The civil case, however, resulted in the largest out-of-court settlement ever in a class-action suit.

Total award:
$310 million to date
Estimated plaintiff lawyer fees:
$25 million
Estimated out-of-pocket costs:
$5 million
Estimated average fee per major firm:
$1.5 million
Estimated average hourly legal fee:
$235
Estimated average award per class member:
$1,425 to date

The Folding Cartons Case

A class-action antitrust lawsuit was brought against 24 manufacturers of folding cartons by 50 law firms representing 30,000 class members for allegedly fixing carton prices over a period of ten years. An out-of-court settlement was finally reached in 1979 after several years of litigation.

Total award:
$218 million
Plaintiff lawyer fees:
$13 million
Out-of-pocket costs:
$1.3 million
Average fee per major firm involved:
$1 million
Average hourly legal fee:
$225
Average award per class member:
$6,790

court awarded $700,000. In the early Seventies Sklar's firm had brought and won another light-bulb-giveaway class action—this one involving billing—against Chicago's Commonwealth Edison, winding up with $380,000 in fees. You can make a nice living this way.

More recently two subsidiaries of New York's Citicorp were sued by thre customers (one of them a lawyer) representing the entire class of the bank's customers who were wrongly being charged a 50-cent-a-month fee for prompt Master Charge payments. A judge agreed this was illegal. Some customers may wind up with no more than $10, most with under $5, and that's before legal costs. The three law firms handling the case? Based on the expected $1.5 million recovery, they will probably wind up with about $500,000 for their efforts.

Other class-action cases in recent years have involved securities, where the average harmed individuals received several thousand dollars each. Law firms handling the litigation, however—such as Morris & Rosenthal, and Corinblit, Shapero & Seltzer, among others—have wound up with millions in fees. The settlement in the famous Equity Funding insurance fraud resulted in a judgment against accountants, directors and officers, brokers and others, and amounted to $62 million. The average award per plaintiff came to just $3,640. The probable fee for each of the two most active law firms? Over $2 million.

In another securities case, against U.S. Financial Inc., two firms split a hefty $7.5 million fee on a $50 million award. This year's $90 million IDS Realty Trust securities settlement produced what appeared to be a deflationary movement in fees—a Minneapolis judge awarded only $2.7 million to two law firms. But that's not as low as it looks. The settlement took place within a year, not the usual four to five years, so the meter wasn't running very long. Moreover the REIT's parent, Investors Diversified Services, moved to get a quick settlement by ponying up $65 million so the debenture holders would have a chance to get 80% of principal when the bonds had previously traded at 25% of principal. They also offered to pay plaintiff's legal fees on top of the settlement. The problem was, how much of a fee? The law firms wanted $5 million.

The judge gave the lawyers $2.7 million. That appeared to satisfy the plaintiff's lawyers, but IDS is appealing.

The key to success in these mass suits—besides having a good case—is having a defendant with what some lawyers cynically refer to as a "deep pocket." The deep-pocket principle is very simple. There isn't much sense suing a welfare recipient. What can you win? But a giant corporation? An insurance company? The government? Ah, that is a different matter. Their pockets are deep. Juries and judges tend to be unsympathetic to them. They make wonderful targets, so rich and impersonal. And they deal with so many people—potential plaintiffs all. Attorney Irving Morris—once called the Clint Eastwood of securities litigation—who won a $3.75 million fee for his firm in the U.S. Financial case, puts it this way: "You can have the best case in the world, but what good is it if the defendant doesn't have any money?"

Alas, though, these suits are not for every lawyer, nor are deep pockets always that easy to get into. The problem for lawyers is, it takes time and money to prepare a mass suit. Because the fees are contingent upon winning, there's an element of risk.

Melvin Belli, the flamboyant 73-year-old attorney, isn't intimidated by these gambles. Firms like his, big and bulging with revenues, can easily afford them. He is now taking on Richardson-Merrell Inc. in a battle to prove that the drugmaker's antinausea drug, Bendectin, causes certain birth defects. Belli's law firm, Belli & Choulos, along with Florida's Cohen & Kokus, has already invested upwards of $200,000 in an inconclusive trial in Florida this year. If they win a court-ordered retrial of the case, they have some 200 others like it waiting in the wings worldwide.

It works like this: During the years it takes to prepare and fight a major contingency suit, the project is all outgo and no income. That isn't as bad as it looks. Losses provide tax deductions. By the time the fees start coming in from the newer cases, presumably others will be on the fire. It is not at all dissimil real estate investing or oil-well dril You try to reinvest the profits as fa you can. Belli recently had this to s the London *Sunday Times*: "My firm finance a case, pay expert witnesses make the movies." *Movies?* Belli plains: "We make films like *A Day i Life of a Boy in an Iron Lung*, which us the case against Cutter Chemical we use huge blowups the size of a wa show industrial burns."

Don't think such suits are purely preserve of old-line negligence and in lawyers. Quite the contrary, the vol possibilities have attracted some negligence firms to what would form have been regarded as the special serve of the personal-injury lawyer. potential fees can be so juicy that c action tempts even such prestigious fits as the Washington firm of Arnol Porter, normally at home in antitrust other corporate matters. In the e Seventies Arnold & Porter sallied the coalfields of West Virginia to consternation of local law firms. Th Arnold & Porter's Gerald M. Stern lo ed hundreds of aggrieved coal-cou families who had lost kin and prop when a Pittston Co. subsidiary c refuse dam burst in 1972, flooding Buffalo Creek Valley and killing m than 125 people. Arnold & Porter f suit against Pittston for $52 million

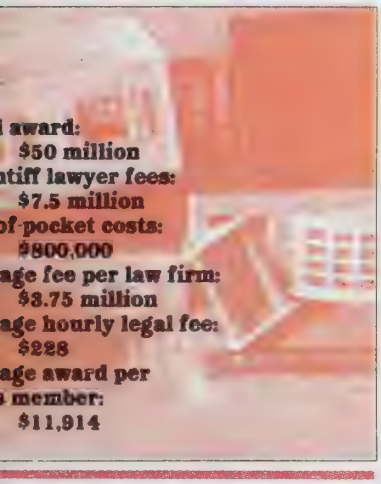
The Equity Funding Case

Remember the $2 billion Equity Fund insurance fraud of 1973? More than score law firms, acting on behalf 15,000 aggrieved security holders, s the accountants and brokers, officers directors and almost anyone else c nected with the deal because, t claimed, their clients were sold st based on fraudulent claims. In 19 shortly before the case was set to go trial in Los Angeles, the defendants tled out of court for what has been biggest cash settlement in a securi class action.

Total award:
$62 million
Plaintiff lawyer fees:
$6.5 million
Out-of-pocket costs:
$900,000
Average fee per major firm:
$2 million
Average hourly legal fee:
$180
Average award per class member:
$3,640

The U.S. Financial Case

3 U.S. Financial Inc., a West Coast state and finance conglomerate, or bankruptcy after restating its al statements to show massive Shortly thereafter two law firms ne company, its auditors, under-, lawyers and banker on behalf of 3,500 security holders. Last year von an out-of-court settlement, resulted in one of the biggest, if biggest, fee for a single law firm curities case.



of about 600 individual claimants. years later he wound up securing million settlement. After deduct-al fees and costs, the average net y per plaintiff in the suit was 15,156. Taking inflation into ac-the individual claimant didn't get more than the $12,000 average n had offered in the first place irect individual settlements. But ping so many of the aggrieved into e unit, it became worthwhile for & Porter to handle the case—to advantage of any number of local s. For its two years of work, Ar- Porter earned a fee of about $3.4 . Another Washington law firm, ns & Connolly, picked up 1,500 ological damage" victims in Buf-eek, and ultimately walked away settlement of $4.8 million and $1.2 million.

rding to Harvard Law Professor Miller, the use of class-action gency-fee-type suits has been g rapidly, particularly where a isaster has occurred—for several asons, including psychology. Ex-Miller: "When you come at a big tion with a class action, you at them with greater leverage. gathered your resources, and holding out for the defendant the t that the whole thing can be in one shot. He doesn't have to ushfire wars all around the coun-ne implication is that the corporation will settle faster and perhaps a bit more generously with a large class as an alternative to endless hassles with lots of small cases.

If dealing with a single case is beneficial for the defendant, it is many times more beneficial for the lawyers involved. If a utility company has 200,000 customers and each one has been overcharged by, say, $10, a lawyer is potentially better off handling that case than one in which there is a single victim with a $100,000 claim. The problem is to get enough of the alleged victims together. Direct soliciting is unethical. At times a mass-marketing atmosphere creeps into the class-action situation.

Take the recent postal workers' back-pay suits. In a brilliant piece of reporting in the *Washington Monthly*, author Robert M. Kaus last month described a creative move by a group of labor lawyers. They filed suits five years ago charging that postal workers were entitled to hundreds of millions of dollars in back pay because the Post Office's personnel practices were out of line with the complex Fair Labor Standards Act's requirements—an act that one of the lawyers bringing the suit helped draft.

One problem facing the lawyers was that the Fair Labor Standards Act forbids class-action suits by government employees in such cases. The lawyers cleverly got round that problem with the mass-action technique. According to one of the lawyers in the suit, the union and the law firm agreed to insert clip-out consent forms in the monthly union magazine mailed out to 200,000 postal workers. The inserts described the suit and carried the forms authorizing the lawyers to handle each of their cases. The lawyers got back some 90,000 forms. They had themselves a class-action suit in fact if not in name.

So far 90,000 postal workers have won some $70 million, out of which the lawyers have received millions in fees—how much they won't say. One of the lawyers, Jules Bernstein, is an avowed socialist. He and his lawyer buddies intend to hit the taxpayers for even more money, he says. "My guesstimate is that the total liability here could be as high as $2 billion." A capitalist-socialist?

At other times the game is played more subtly. Miller outlines one approach: "If I have one person as a client and I smell class action, I simply say to you, 'You know, it's not economic to handle your suit alone, but if we had a lot of people in a class, we could make this economic and get the mule's attention.' He'll quickly get the clue that he's supposed to go out and get some other people to join in the class."

Sometimes it is useful for the lawyer to bring in a public relations firm. In February, two Sacramento, Calif. law firms launched a class-action suit against Piper Aircraft on the grounds that a number of crashes had been caused by defects in fuel systems in Piper's Aerostar-600 series planes. The suit is for almost $230 million. Horst Schmidt, a Las Vegas theater owner who discovered the alleged defects, was the first client and is the only plaintiff in the case. But to spread word about the planes, the two law firms hired a Sacramento public relations agency. In addition, the press agents and lawyers are spoonfeeding the news media with background information and horror stories about the plane crashes. Of course, the purpose of all this fanfare is not to round up a herd of clients, Gary Callahan, one of the attorneys, tells us. However, Callahan admits that *Schmidt* has received a number of calls from Aerostar owners since the February press conference that announced the suit. Short of going to trial, advance publicity is a powerful form of pressure on a defendant to settle.

A case can be made that class-action lawsuits are a way of keeping businesses and governments honest—turning the legal profession into a kind of citizens' police force. But some experts feel the situation is getting out of hand. When the press and TV turned the Three Mile Island nuclear shutdown into a three-ring circus, a good many lawyers thought they smelled blood. Arthur Miller speaks disapprovingly of "a rather unseemly race to get into federal court on behalf of the people in the Three Mile Island

The Buffalo Creek Flood Case

In 1972 a dam owned by a subsidiary of Pittston Coal Co. gave way and flooded the Buffalo Creek Valley in Logan County, W.Va., killing more than 125 people. Pittston was sued by two prestigious Washington, D.C. law firms, Arnold & Porter and Williams & Connolly, representing over 2,100 clients with damage claims based not only on loss of life and property but on "psychological damage" as well. Out-of-court settlements were reached in 1974 and 1978.

Total award:
$18.3 million
Plaintiff lawyer fees:
Arnold & Porter—
$3.4 million;
Williams & Connolly—
$1.2 million
Total out-of-pocket costs:
$900,000
Average hourly legal fee:
Arnold & Porter—$84;
Williams & Connolly—$95
Average award per client:
Arnold & Porter clients—
$15,156;
Williams & Connolly clients—
$2,187

area." A social and corporate nightmare, the nuclear shutdown is in many ways a lawyer's dream. A big, rich company, heavily insured; hundreds of thousands, if not millions, of potential plaintiffs; and ramifications that may extend the cases for decades.

At its worst, a mass suit can be a kind of legal club. Never mind the merits: Settle, or face heavy costs in legal fees, bad publicity and sizable defense costs. On occasion a few public-spirited judges may compensate defendants against frivolous suits or slash an occasional fee. In 1978, for example, Michigan Judge William Peterson dismissed a $1 million polybrominated biphenyls (PBBs) chemical contamination case against Michigan Chemical Corp. The judge also ordered the plaintiffs to pay the defendants' legal costs of $15,000 in addition to $400,000 in case costs expended. But don't think the lawyers were destitute: They already had settled lots of other PBB cases worth more than $10 million.

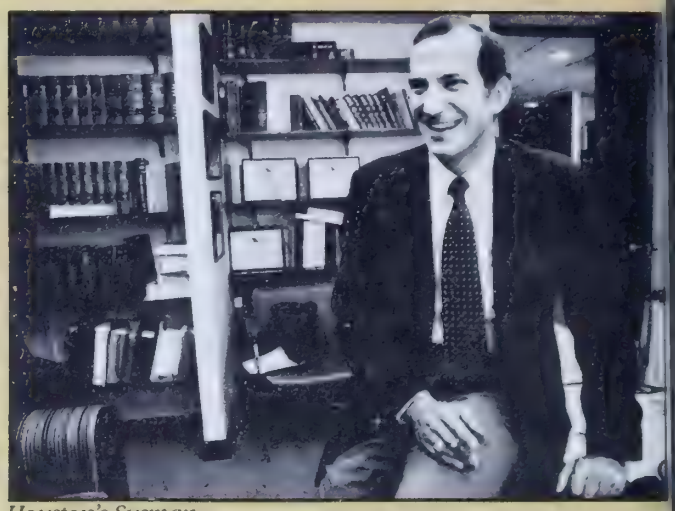
And last year Atlanta Judge Richard Freeman in the $11.8 million Armored Car antitrust litigation settlement (over alleged price-fixing by several armored-car firms) chided a group of high-priced antitrust lawyers for their requesting an "embarrassingly exorbitant" fee. The judge slashed the fee from $1.1 million to $367,000 because the lawyers, he snapped, had parroted a criminal indictments charge. That made it easier for them to negotiate a settlement.

That's not to say that the situati about to come under control. If those decisions, plus other modest li placed on class-action-type suits, small warnings to the plaintiffs' bar, fact is, a recent Supreme Court deci opened a whole new candy jar to the

In June the highest court expanded rights of citizens to sue whenever s policies violate federal laws. For exan welfare, education grants and envi mental regulations will now be ripe a for alert class-action-suit lawyers. Court ruled in the same opinion successful plaintiffs in such suits are e tled to reimbursement of attorney's f A whole new deep pocket yawns. ■

The million-dollar club

San Antonio's Maloney
"It would be crass to discuss how much we make."



Houston's Susman
Being first in line paid off.

Pat Maloney has a grin as wide as the Rio Grande and an ego to match. Steve Susman is low-key and soft-spoken. They have two things in common. Both are Texans, and both have made millions of dollars in the class-action or product-liability game.

Maloney's San Antonio firm employs 12 lawyers but bears one name, Pat Maloney's. It operates out of a 100-year-old bank building renamed the Maloney Building. "I think it's crass to discuss how much we make," he says, coyly adding: "I'd be surprised if there were any corporate executives making as much as I do."

He can say that again: Maloney apparently won a $10.6 million fee under his usual 40% contingency arrangement when he got a $26.5 million award for four people burned in a 1975 Texas propane explosion. "There were 50 plaintiffs involved and about 30 lawyers," he says. "We got 52% of a $50 million verdict, and it's still the largest settlement in the history of the U.S. You're talking to the fellow who has the most million-dollar verdicts in the history of the U.S."

What's Maloney's secret? "Thirty-two years of trial work, amazingly hard work. And incredibly gifted associates." Also capital. To play in the big time, he says, "You have to be a very rich lawyer, frankly." It costs half a million dollars or more to press the suit. "All these things are two and three years in fruition and you have to have an awful lot of them germinating all the time."

Steve Susman is a different breed of lawyer. Maloney is 56. Susman is only 38. As the lead attorney in the corrugated container case *(see p. 59)*, he brought in an estimated $1.5 million for his firm, Mandell & Wright of Houston. At so young an age? He says he virtually fell into the case. "In 1976, I heard a grand jury was investigating price-fixing in the corrugated box industry," he says. "I was the first in Houston to file a case." Fifty-five civil corrugated cases were ultimately consolidated in Houston, and as Susman was the only local lawyer involved, the others voted him chairman of the steering committee.

Susman went to work for Fulbright & Jaworski, former Watergate prosecutor Leon Jaworski's Houston firm, after getting out of the University of Texas law school, taught for a year at his alma mater, then joined Mandell & Wright in 1976 because antitrust class actions looked promising.

Maloney belongs to the secretive Inner Circle of Advocates. The Inner Circle? It's an elite group of about 100 lawyers who have won million-dollar verdicts. Each year the Inner Circle gets together at various plush watering holes to trade tips on how to make those verdicts even bigger. This year's session, scheduled this month at the Greenbrier, features a session on the advantages of videotape presentations to insurance companies in the initial stages of a case. The slick videotape says: Pay up or face the music. Susman is not yet a member. Maybe he should be, says Pat Maloney. If Susman earned his first million-dollar fee at 38, what will he be bringing in at 40?—*Jeff Blyskal*

sure groups, costs and conservation have but destroyed nuclear power in the U.S. o's going to foot the bill?

Pay now or pay later

By Alyssa A. Lappen

HE LAST SIX YEARS, more than 50 clear generating units, planned but yet started, have been canceled the country at a cost to the utili- volved that could be on the order billion. Who will pay this cost: ners, or the utilities' shareholders? e public utilities commissions are g the utilities to amortize good of the writeoffs and recover the through higher rates. Some in the wind:

eveland Electric Illuminating Co., along with its participating utili- celed four nuclear units last Janu- s studied the situation. It found nce 1974, state regulators have l more than two-thirds of the $940 million cost of dropping 28 l nuclear plants to be recouped n amortization and rate increases er third is pending). In one of the of these cases, New Jersey's of Public Utilities ruled in April e Public Service Electric & Gas ld amortize $174.5 million of the million aftertax loss on a total of nceled offshore units.

Wisconsin, a state particularly to nuclear power, the PUC effec- persuaded Wisconsin Electric Co. to drop its proposed Haven plant by extending a precedent- carrot: The utility and its two s will be allowed to recapture the illion in precertification costs n higher rates over the next three hey will also get an 11.6% return ar on the unamortized portion. In nia, another state where antinu- ntiment is strong, a similar deal uck to get San Diego Gas & Elec- cancel its proposed Sun Desert units at a loss of $100 million.

uraged by the precedent, utilities York and Rhode Island that were or maneuvered into canceling nu- rojects have also applied for rate increases to pay the tab, as well as a return on the unamortized portion. Even utilities that dropped planned projects on their own are asking for the same deal. Detroit Edison Co., for example, canceled two of its planned Greenwood nuclear units in March. Now it has applied to recover over five years $50 million aftertax of the $71 million pretax accumulated cost; it has also applied for a return on the unamortized portion.

LILCO's Shoreham nuclear power plant
An extortionate burden?

Most of those nuclear plants were planned eight to ten years ago, in the pre-OPEC days when electrical demand in the U.S. grew at about 7.5% to 8% a year. Now it's down to around 3.5%, and knowledgeable observers, like utilities analyst Roger Lidell of Tucker Anthony, think it may sink to 2% or lower. A strong argument can be made that the remaining 2% should be filled by nuclear power, thus reducing both pollution and the demand for imported oil. But the clever tactics of the antinuclear lobby have worked so well that nuclear power is bearing the brunt of the cutbacks.

Among the triumphant antinukes, not a few would like the utility companies to swallow the losses. Public service commissions resist this pressure because, for all their "proconsumer" rhetoric, they understand the economic facts of life; the last thing they want is to drive their local utilities to the wall. Well remembered is what happened in New York State in 1974 when the state government had to take over $612 million worth of Consolidated Edison's generating plants to save the giant utility from bankruptcy.

Other U.S. utilities are in shaky condition today. John W. Johnson Jr., vice president of finance for Detroit Edison, puts the case succinctly: "We used to be an Aa rated company. Now we're Baa." If the company has to eat the loss of its Greenwood cancelations, Johnson says, the writeoffs will throw off its equity-to-total-capital ratio and it will have to sell more stock, which will be dilutive. That could cause the company's rating to be reviewed again.

The success of the antinuke pressure groups is costing plenty of money. Some of the 88 units already licensed for construction in the U.S. are running up to eight years behind schedule and, on average, each additional day of delay now adds an estimated $500,000 in interest and inflation alone.

Take the case of Long Island Lighting Co., a New York State electric and gas utility. Since 1973 LILCO has had millions of dollars tied up in an 820-megawatt nuclear plant that was started at a proposed cost of $300 million and will be finished—at best—a decade later for $2.2 billion. Long Island Lighting has already persuaded the New York PUC to put $255 million of the Shoreham plant into the rate base, and is asking for $200 million more that should add a needed $35 million to $40 million in additional annual revenues. Without that, and additional "temporary" relief, says the company, the plant could be delayed again, until at least 1984, and the price would go up another $500 million—to $2.7 billion.

A sympathetic regulator is New York PUC Commissioner Edward P. Larkin. "The Shoreham plant constitutes an extortionate burden on the financial structure of the company," Larkin says, adding that the utility's customers are going to have to help out. "The fact is, they're paying out more in dividends than they actually earn in cash," says Larkin. It's corporate cannibalism.

Not every PUC commissioner around the country agrees with Larkin. In Michigan, Jackson-based Consumers Power is struggling to complete two nuclear units that will add 1,360 megawatts

Several new technologies will enhance the electric industry's output from traditional fuels in the 1980s. However, more than 250 conventional coal-fired generating stations will also be added to the U.S. system during the decade ending 1988. For our part, obtaining highest output and energy savings from this bulldozer was a matter of putting an advanced diesel engine ahead of a revolutionary hydrostatic-drive transmission. Your inquiries about our company or products are welcome. John Deere, Moline, Illinois 61265.

JOHN DEERE ON THE MOVE

JOHN DEERE

apacity and supply steam power to Chemical facility. When the proj- s announced in 1967, it was sup- o cost $350 million. Thanks to caused by financial and regulatory ns, the bill will be at least $3.1 one-third of it in interest. The an PUC put only $1 billion of the cost in Consumers' rate base—with $600 million still pending. But that washes against an equal amount of future earnings from the project. The net effect: no return at this point. This year, the company must go outside for $535 million of its $714 million capital spending budget.

California was similarly unsympathetic to Pacific Gas & Electric's $1.7 billion Diablo Canyon plant.

One thing is clear: As utilities drop or delay nuclear generators, someone will have to pay. Why should it be the utilities? They proceeded in good faith with nuclear power only to have the politicians and consumers change the rules. ■

es and municipalities are pushing indus- revenue bonds like there's no tomorrow. don't cost the states and municipalities thing. But somebody pays.

No free lunch

Numbers Game

TE NIGHT TV watchers in the Iew York area have occasionally een greeted by Mayor Ed Koch on reens. His pitch: Move your busi- New York, keep your business in ork, expand your business in New The inducement: industrial rev- nds, freely given.

e bonds (IRBs), issued for corpora- rough state and municipal agen- e tax-free at the federal level. In- s often three percentage points he going corporate bond rate.

smiles as he wheedles. IRBs ke a free lunch to him. But to Sam they are expense account —with the Feds footing the bill llected taxes. The tab is at an high.

gh the figures are controversial, lic Securities Association puts it nd $4 billion. One thing is sure, r. The total amount of taxes ren- ncollectible by those IRBs is enor- Estimates of the total potential run to tens of billions of dollars. estimates that over $1.4 billion 0 dollars) of federal taxes—over t 15 years—were given away by nd municipalities last year alone. list of firms—large and small— re receiving IRB financing seems Just a few of the major firms *n or more* IRBs: Boise Cascade, -Pacific, ITT, Monsanto and aeuser. In April, Broome County, ve Savin Corp. $10 million worth to help build a new 2,000-em- plant there. Total potential savings to Savin over 20 years: $7 million.

Not only do IRBs cost the Feds billions—they may not even work.

Says Lawrence Litvak, an economic consultant to state and local governments who has written a widely praised study of IRBs: "Only in a third of the cases have IRBs been found to be even a marginally significant factor in a company's location decision. This includes

many situations where IRB financing in one state or town merely offsets its availability in another."

What's more, IRBs never save enough money to offset such crucial locational factors as unions or high energy costs.

This round of heavy IRB use is actually the second such boom since World War II. In the 1940s and 1950s, the Sunbelt states began, slowly, to use IRBs in their quest for northern manufacturing jobs. By the late 1960s they were in common use. But in 1968—when about $1.6 billion worth were issued—the Feds got nervous about the tax drain and put a $1 million limit on individual issues.

In 1971 that limit was hiked to $5 million an issue and about 18 months ago it went to $10 million. The $10 million mark seems magical because it inspired renewed interest in their use, particularly in industrial states.

What has helped keep interest in IRBs growing since 1968 is the fact that no limit was ever set on pollution control bonds, which last year represented over half of all IRBs sold. Few people argue against pollution control bonds, though. It's the IRBs that are causing the controversy—especially those used for somewhat "creative" purposes. In May, for example, Smith Barney purchased three issues through Utah municipalities for K marts. Many economists, and especially those in the U.S. Treasury, feel that the states shouldn't forget that the "I" in IRB stands for "industrial." Service operations and retailers generally go where the markets are—without incentives.

Perhaps the most audacious use of IRBs for nonindustrial purposes has been for McDonald's outlets and other fast-food restaurants.

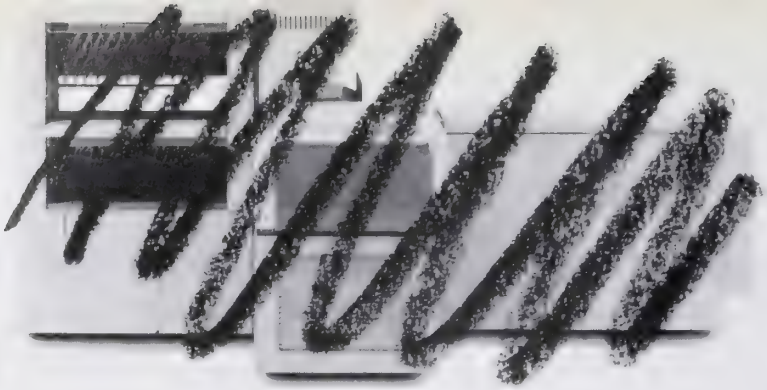
Says Roger J. Vaughan, deputy director of New York State's Office of Development Planning, "When they give out IRBs for McDonald's, is that doing anything for economic development? Absolutely nothing. Nothing. If there is a market for a hamburger franchise, it will open."

Of course, there are a fair number of IRBs given out for rational, truly public interest purposes. Who can fault a state for giving out an IRB to induce a firm to move to a low-employment area, for example, instead of a potentially more attractive, job-rich section of the state?

Trouble is, it's very difficult to legislate, at the federal level, specific uses for IRBs. "The mutual immunity of the federal and state governments from one another's taxes is a constitutional right," explains Arthur J. Kalita, executive director of the Public Securities Association. "The federal government cannot interfere in the state's ability to encourage development however it sees fit." What the states don't realize is that they might be better off if someone restricted IRBs. As Ben Weberman points out on page 90 of this issue, overuse of special-purpose tax-free bonds has kept the tax-exempt bond market glutted and weak. This may be good for investors, but it raises borrowing costs in the entire municipal market. *Richard Greene*

The 3450

The 660



The 9200 (24 bins)

The 310

The 3100

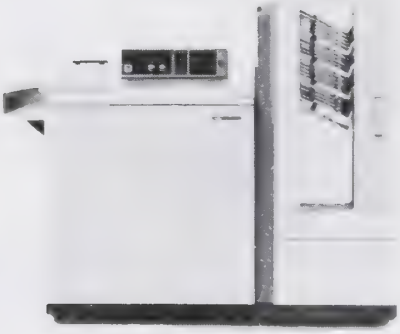
The 9200 (without sorting)

The 4000

Th

The 3400

The 2600



The 4500

The

This is what we
as big a selection as ou

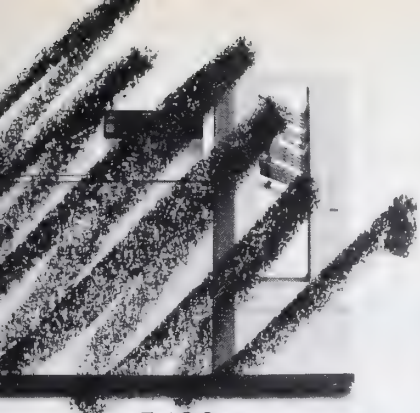
We could always eliminate our high-speed duplicators.

But then, people who need to make copies fast (2 pages a second) would have to settle for something slower.

We could subtract some smaller cop
But then, people with smaller needs coul
get exactly what they need.

We could make fewer large docum
copiers or automatic two-sided copiers. B

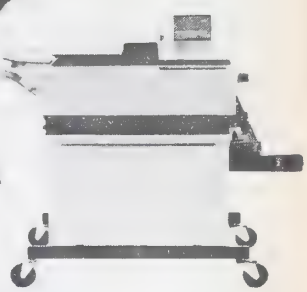
XEROX® and all number names identified herein are trademarks of XEROX CORPORATION



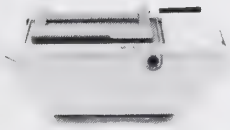
The 5400

The 5600

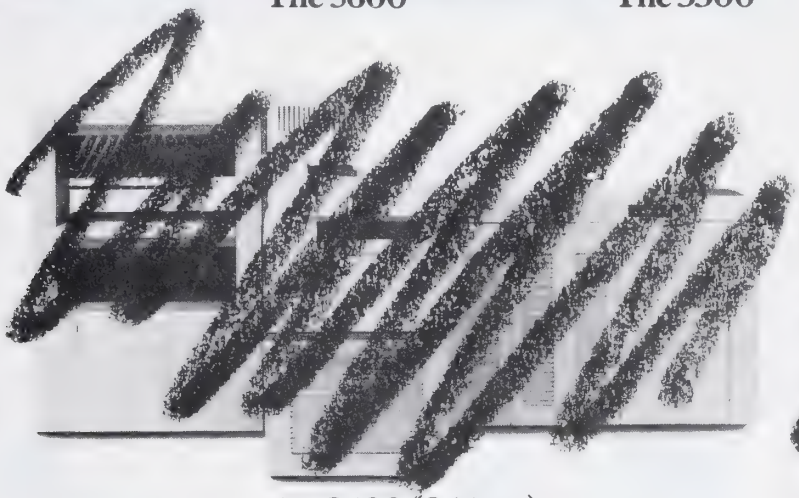
The 3300



The 3107



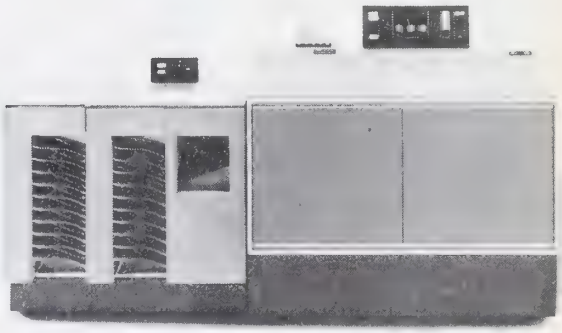
The 2300



The 9400 (24 bins)

The 6500

The 3109



The 7000

ve to do to offer you ggest competitor.

ght not sit well with people who have ocuments or want two-sided copies. hat's the trouble with offering smaller ons. You don't just offer people fewer s. You offer them fewer chances of getting the one that's just right for them.

And there'd be no point offering that. Our competitors are already doing it.

XEROX

Finding ways to reduce taxes is as profitable as finding oil. Therefore, look for more trust spinoffs in the oil business.

Hitting a tax gusher

The Streetwalker

SHARES OF Southland Royalty, a smallish crude-oil producer, sold as low as 23 this spring; after jumping 15 points in just one week, they now sell in the low 50s. Did Southland make a major strike? Not at all. It found a way to get around the tax laws. Not even an original way. What Southland is doing this year, its rival Mesa Petroleum did last year (FORBES, *July 23, 1979*) under the brilliant leadership of its President and Chairman Thomas Boone Pickens. It's a good bet that Southland will follow the Mesa blueprint in all but a few technical details.

Here, in outline, is how a mechanism that may be seized on by other independent oils will work. Southland will set up two trusts (the San Juan Basin Royalty Trust and the Permian Basin Royalty Trust) and through them channel to shareholders a revenue stream that this year will amount to better than $100 million.

The properties from which that stream will be pumped are older, more mature holdings. They have plenty of production life left, but have exhausted their statutory depletion allowances. Development and exploration expenses are low, too. Earnings on the properties are consequently taxed to Southland at comparatively high corporate rates.

Thanks to the complexities of the tax laws, however—at least as parsed by Southland and Mesa, if not the Internal Revenue Service—creation of the trusts will wrap a new cost-depletion basis around the assets. Stockholders will get one unit in each of the trusts for each share of Southland they own. The combined cash throwoff on the units next year, if stockholders approve the deal, will probably come to around $2.50 a share. Arbitrage specialists like Ellen Greenspan of Oppenheimer & Co. are estimating that more than half the $2.50 will be sheltered by depletion. That's tax advantage number one.

Advantage number two springs from yet another helpful wrinkle the lawyers think they've found in the Internal Revenue code. Distribution of the units counts as a taxable event, but the numbers suggest that only $5 will be counted as an ordinary income dividend. The balance will be a tax-free return of capital.

What does that mean in dollars and cents? Assume, as Oppenheimer's Greenspan does, that the market will capitalize the $2.50 return on the units at around 8%. That means a combined market value of about $31: $5 taxable as ordinary income and a $26 return of capital that would go to reduce the tax basis of the common stock. Thanks to the quirkiness of the tax laws, corporations might find the tax play in Southland even more rewarding than individuals.

Now, what happens to Southland itself? The distribution will leave Southland minus more than $100 million of the $256.6 million revenues it reported last year. At first glance that looks like a lot of downsizing, but it doesn't begin to take into account the truly startling impact of higher prices, increased production and the recent acquisition of P&O Oil Corp. and chunks of Shenandoah Oil on Southland's income sheet. In the first quarter Southland's revenues rose 76% (from $51.4 million to $90.6 million), while earnings jumped 86% from $10.1 million to $18.8 million. That's on top of a 40% gain in revenues and a 32% gain in earnings per share last year.

It has taken a lot of debt—about $385.9 million worth—to force-feed those results. Jon Brumley, CEO of Southland, has a simple growth strategy: Use credit to buy production, and cash flow to operate. Channeling a partially tax-free $2.50 a year per unit to shareholders (that estimate doesn't include the prospect of the higher prices almost certain to show in the trust revenues) would allow Brumley to stop paying any other dividends at all. They h been lavish (57 cents a share curr but the saving would enhance cas by $13.2 million a year.

The determined Brumley, who his working days with a timed mile run around the Shady Oaks Co Club in Ft. Worth, obviously inte go right on plowing huge amou cash back into exploration.

One conservative estimate is tha share of the new Southland w backed by $25 worth of assets, incl about 3 million exploration acres s over the Gulf Coast, the Williston and the Anadarko Basin and among other places. Brumley d challenge the suggestion that South posttrust, will generate a cash fl better than $3.50 a share. Figure th Southland, like the old, at about 10 cash flow and somewhere further the road the stock may be at abou Oppenheimer's Greenspan estimate new Southland will probably trad better than $25 until the novelty trust move wears off. If so, and putt $30 value on the trust units, South holders will be getting a package w about $55.

Currently, however, the mark quoting Southland at around 52. Th count says something about the u tainty of the IRS going along with move, but it can in no way be cons as an indictment of Brumley's o tives. He feels the market has bee dervaluing Southland. "Our aim maximize the value of stockholder vestment," he says.

If that doctrine sounds suspicio idealistic in an environment where interests of management and the i ests of stockholders often seem help ly divergent, put it down to an ex sion of enlightened self-interest. Fa trusts and insiders own about 14 Southland, a powerful incentive to m mize values. "Our options are our big asset," says Brumley. "It's eas identify with stockholders."

The big question is whether the emment will go along with Mesa's— now Southland's—interpretation of law. The trust mechanism as they've signed it is still so new that everyon operating in a kind of twilight zone. A often does with novel readings of law, the IRS declined to give Me ruling before its trust plan went int fect last fall. The government may mately argue that the trusts are not sive intermediaries but corporations ble to the same old tax burden everyone else. That would throw san the gears and probably touch off a s of litigation.

Meanwhile, a goodly number smaller oil companies are watch with considerable interest—and so their stockholders.—*Richard Phalon*

ssion or no, Americans are gambling, ing theme parks, buying home entertain-t. They are spending, but selectively.

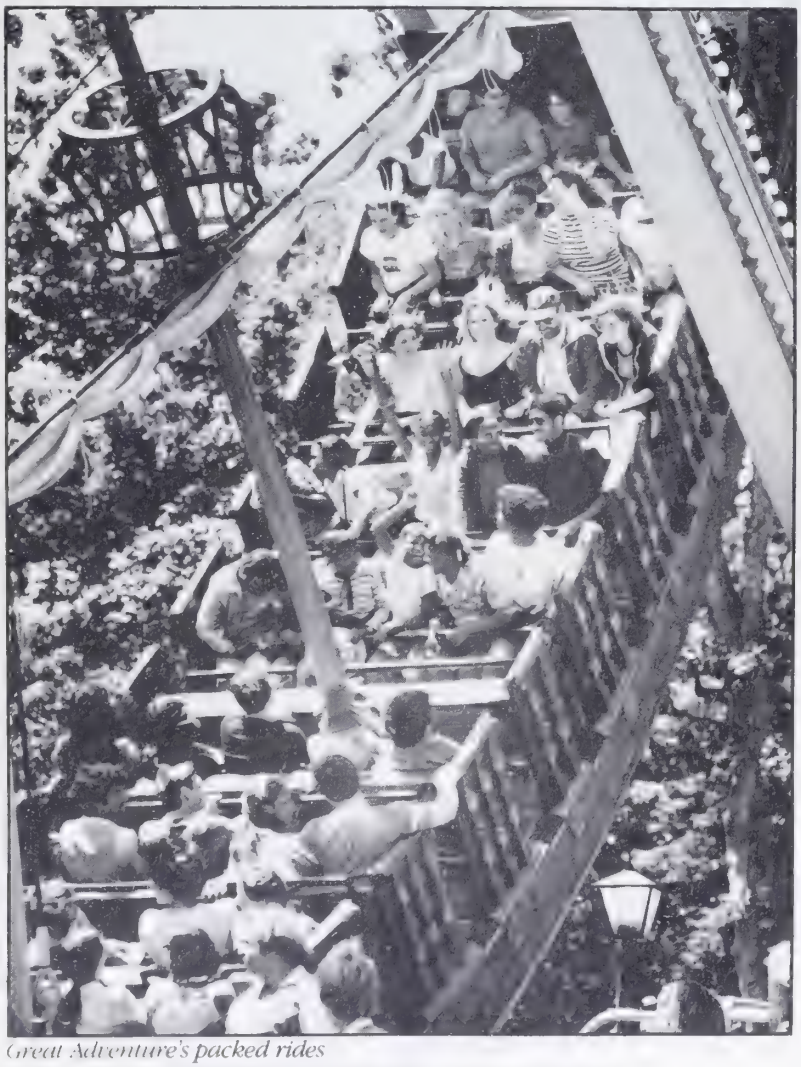
Watching the dollars

ECESSION? IT DIDN'T LOOK like one. A bright, sunny Saturday morning late in June and auto- were pouring into the parking Great Adventure, a New Jersey park owned by the GSC/Six Flags ry of Penn Central Corp. Great ure, the nation's largest non-Dis-k, is 1,500 acres of fun and rides 0 miles from New ity. By noon the lot was full and ere 30,000 people park—many men shirtless, many in halter tops and shorts—waiting lly in long lines, g on the roller and munching on hamburgers nch fries.

listen to Mary a nurse from near-ockland County waiting in line er engineer-hus-ank to plunk down each for them-nd their three chil- Great Adventure. year we budget a f traveling," she ut this year we're e were originally Disney World but airfare, gas, food, expensive, this is ation."

seems to be the lit- the summer of eople are spending tertainment but g carefully. Ac- to a recent Gallup % of American mo- have reduced their driving, and the an Petroleum In- reports that gasoline deliveries for the first six months of 1980 are down about 7% over the same period last year. Although it has rebounded since, Holiday Inns had 6% fewer customers in May and the bulk of the dip was in double-occupancy rooms—the vacation market—which is about half of Holiday Inn's total business. More to the point, traffic in roadside hotels was especially hard hit earlier in the season. Best Western's traffic has been holding up, partially because it has made a big push to attract foreign tourists. Hilton's hotels in vacation spots have been hit—down 20% in Hawaii, for example. In Las Vegas, where Hilton used to turn away 30% of prospective customers on weekends, it now has rooms available.

The restaurants are having a tough time, too. According to Robert Emerson of Salomon Brothers, business at medium-price restaurants (offering meals for around $12) is down about 10% in real terms—*i.e.*, discounting the price increases of the past year. The less expensive, family-style restaurants with tabs of $4 to $5 are doing even worse—down between 15% and 20%. Ponderosa Systems, for example, had 16% fewer customers in the quarter ending in May. Even the fast-food places are down around 1% to 2% in real terms over a poor 1979. This, says Emerson, despite declines in beef and chicken prices and unusual aggressiveness in the introduction of new foods. A Roper poll in March this year found that 31% of people surveyed had had dinner in a restaurant in the previous seven days, *vs.* 51% in March 1978.



Great Adventure's packed rides

This summer Americans are buying only good value.

Movies are down too. *Variety* reported that attendance for June dropped 14% compared to last year. "We have a crop failure of rather impressive dimensions," says an industry observer. What he means is that the films unveiled so far in 1980 have been extraordinarily disappointing despite a galaxy of established stars. When people have tight budgets they tend to be far more cautious about spending money on marginal entertainment.

The record industry had a poor 1979, and sales are down even further this year. Some retailers and distributors estimate unit-sales declines as high as 20% or more. The heavy hitters like Billy Joel and the Jacksons continue to sell well, but the second- and third-tier performers are hurt. One major reason is that record companies have increased list prices to an average $8.98. Consumers have responded by buying fewer records and concentrating on discounted records selling for around $5. At that level, unit sales are up. In a gutsy move, CBS last fall

lowered the list prices on some records past their first peak by such big stars as Billy Joel, the Jacksons and Bob Dylan—to $5.98, working out new royalty arrangements with the artists. The gambit paid off and now other manufacturers are following suit.

The rising price of records has exacerbated one of that industry's biggest problems: taping. "My son goes to an expensive private school where the kids can buy pretty much what they want," says Harold Okinow, president of Lieberman Enterprises, a big record distributor. "He tells me: 'Dad, we're in trouble. Everybody's taping. Nobody's buying records.' " With radio stations playing entire albums without commercial breaks and people trading records, taping is a far cheaper alternative to buying albums. A four-pack of Ampex tapes sells for around $6.50 and can record 12 albums worth up to $72. Not surprisingly, cassette sales are up as much as 30%. More significantly, imports of eight-track and cassette recorders—few are made in the U.S.—are up almost 18% this year.

Isn't anything doing well? Well, yes. Youth hostels, so popular in Europe, are catching on in the U.S.; Broadway shows and their touring companies are up sharply; betting on horses and lottery ticket purchases are up; and legalized gambling is up 30%. Theme parks that are within range, round trip on a tankful of gasoline, are also doing quite well. Great Adventure is up 11% over last year and overall attendance at GSC/Six Flags' five other parks, all near major cities, are also up. All six parks are now installing gasoline pumps to attract more visitors. Disneyland is up. Disney World, on the other hand, located somewhat farther from major population centers, is flat.

Home entertainment is up. People are buying taping systems, video systems, electronic and video games. A.C. Nielsen reports that television viewership is still increasing steadily and has reached record highs. And that doesn't include cable television viewership. Cable viewers watch about 15% more television than others do and the proportion of cable homes—currently 22%—is increasing rapidly. Clearly, one of the things Americans are doing to entertain themselves this summer is staying at home.

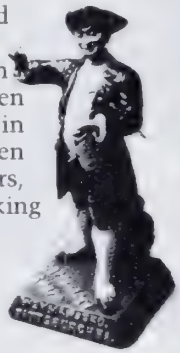
There is some indication that June may have seen the bottom of the summer doldrums. Holiday Inns reports an increase in occupancy rate for June and Best Western, which gets 89% of its business from automobile traffic, showed reservations up 9% over 1979 for the month of June. When the final figures are in, it may even prove that Americans spent as large a portion of their incomes on entertainment as they ever have. The difference this summer is that they are choosier about how they spend their money. And that's not bad. ■

U.S. Tobacco's snuff-sales growth seems eff less, but CEO Louis F. Bantle works his mar hard to make it look that way.

Nothing to sniff at

BARRELING DOWN THE HIGHWAY to Houston in his pickup in the movie *Urban Cowboy*, John Travolta digs into his jeans, hauls out a little tin of Skoal snuff and dips a pinch between lower lip and gum. While this might strike you as delusive cowboy macho or a revolting bit of extinct Americana, to Louis F. Bantle, CEO of U.S. Tobacco Co. it's money in the bank. Snuff—finely cut, moist, aged tobacco—is big business to him and he's got lots of new customers, many Travolta's age.

In 1979 U.S. Tobacco had sales of over $233 million. Of that total, 60%—$140 million—came from sales of moist snuff like Happy Days, Skoal and Copenhagen. The market for snuff amounted to 25 million pounds last year, mainly to men who must keep their hands free in their work or for whom an open flame would be a hazard—miners, lumberjacks or anyone working around petroleum. While that is small compared to the cigarette market, UST has it pretty much to itself.



Last year was the fifth year in a row that sales have increased over 10%. Earnings were $32 million, up 15% over 1978—the nineteenth year they have improved—and in the first quarter of 1980 they advanced another 12%. Most of that growth has been in the 18-to-35 age group, especially in the Southeast and Southwest, where sales have jumped 145% and 108% respectively since 1975. Says Bantle: "If you go to high school in Texas and you don't have a can of snuff in your pocket, you're out." Some of this age group have taken to dipping snuff after turning off marijuana, he says, and the company hopes to convert others with its latest series of ads, featuring sports and rodeo stars plugging the individuality snuff supposedly confers.

It is in the nature of snuff that a novice has to be personally introduced an structed by a user. "You've got t careful not to swallow it," says B jokingly, "because it sure will dev you." For such reasons, the pro doesn't take to being mass-markete stead it developed a marketing and tribution network so sensitive th knows almost daily how and whe products (which are dated for fresh much like dairy products) are mo This measured responsiveness much of a spectacle, but it's a fine a

Another 17½% of UST's sales co from smoking tobacco, where its tobaccos account for one-fifth o U.S. market (Borkum Riff and phora are the top-selling impo In this area and in UST's cigar sion as well, the industry' cline is being offset by re from premium-priced items, w have posted excellent unit volu The same can't be said, tho for UST's Cadillac pet-foods sion, which produces only of sales and 2% of profits, a up for sale. Subsidiaries li to be kept are the Henry, Leo & Thomas pipe division, Nati Pen & Pencil Co. and wineries in W ington State. For the future, Bantl looking to the development of Michigan TV stations that he bough distress prices.

But smokeless tobacco will remain core of UST's business. Bantle feels national snuff market is capable of go to 100 million pounds per year by the of the century—much of it, he figu consumed by people who have stop cigarette smoking but can't give up bacco entirely. Considering his sensi ity to the current market, it wouldn' surprising if UST's niche continues enlarge. After all, U.S. Tobacco has b thriving in a market most peo thought was doomed a long time ago.

HARRIS technology on the job

HARRIS Densicontrol System at
Arcata Corporation's Pacific Press Division
electronically pre-sets press ink mechanism

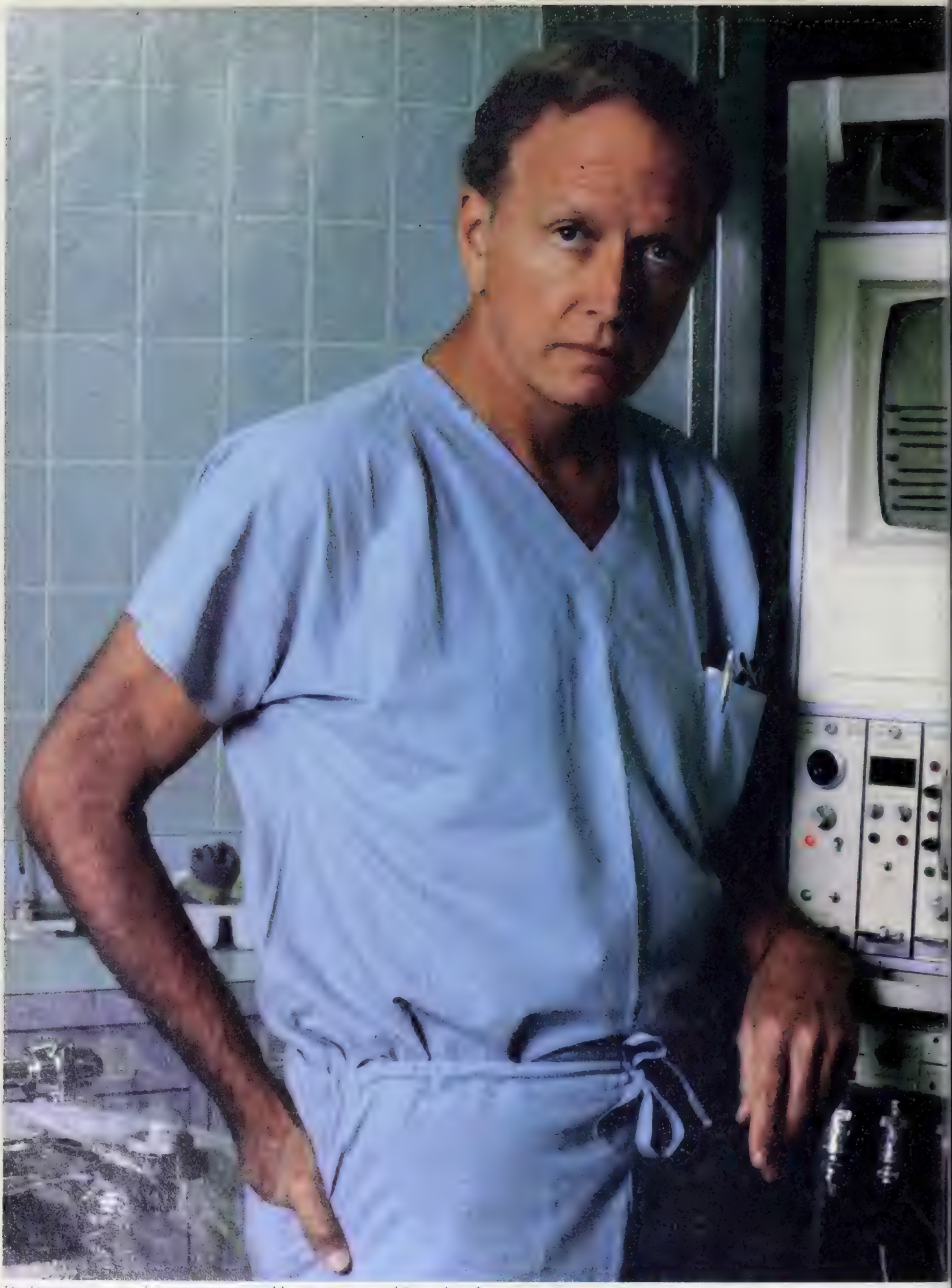
n printing quipment, arris Corporation roduces a broad ange of web offset resses, bindery nd mailroom ystems for news-apers, magazines, usiness forms nd commercial rinters.

With computer-ontrolled makeready nd operating systems, ARRIS presses get up to peed faster and provide better and more consistent print uality. Reducing waste. Boosting productivity...*and* profits.

HARRIS technology works worldwide—in communication quipment, information systems, government systems, emiconductors and printing equipment. For information, write: arris Corporation, Melbourne, Florida 32919.

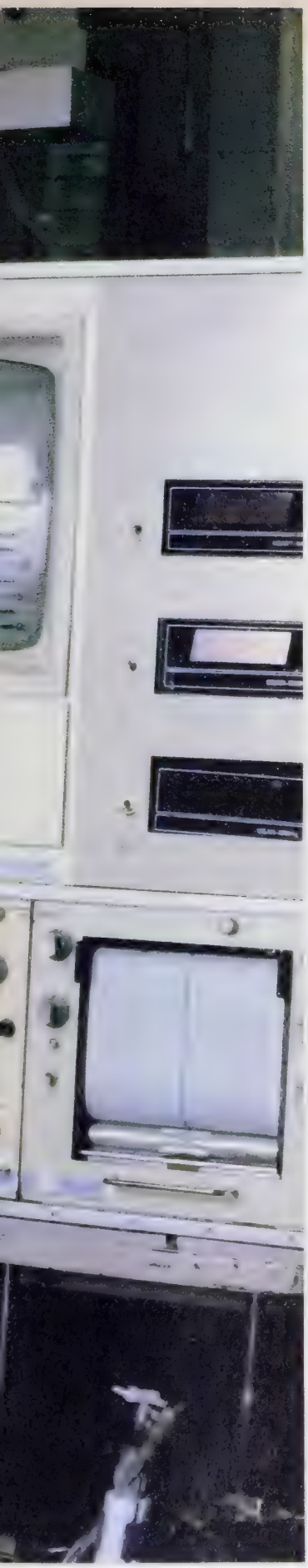
HARRIS

COMMUNICATION AND
INFORMATION PROCESSING



Dr. Denton Cooley, heart surgeon and businessman, taking a break at Texas Heart Institute in Houston

Twelve to 15 operations a day, and spare time enough to build a $30 million real estate empire.



Are professional people lousy investors? Here's one who definitely defies the generalization.

Dr. Denton Cooley's double life

Profile

EVERY EVENING AT 6, heart surgeon Denton Cooley leaves his cluttered office at Houston's Texas Heart Institute. With the gait of an athlete he strides to a waiting room crowded with the families of the day's patients. Every face lights up when Cooley steps into the room; and as he passes from one to another, speaking a few words of reassurance, they break into beatific smiles, like penitents given absolution. As he walks back to his office, a Mexican-American girl stops him and pleads in soft, halting English for him to "help my brother." "You tell him to come see me, honey. We'll fix him up," he says kindly, and then slips into a ward where she cannot follow. His office door is unmarked to discourage callers; he has no time to waste on casual conversations.

Cooley has it all. He is probably the world's best heart surgeon, and indisputably the most prolific: In 35 years he has performed over 80,000 heart operations, including 22 heart transplants. The Texas Heart Institute was built around and for him, and there he is an industry in himself. He supervises 25 to 30 operations a day, performing 12 to 15 of the hardest himself at up to $3,500 a crack. In all he will generate some $50 million in revenues for THI this year. Of that, his medical practice will gross nearly $2 million. He has a mansion in River Oaks, Houston's *ne plus ultra* neighborhood. At age 59, he is handsome, trim and healthy.

For most people that would be enough. But Denton Cooley is also a highly successful real estate investor and developer. In the last two decades he has accumulated real estate worth $12 million on the books and more like $30 million at market. He owns 2,200 acres in and just beyond Houston's southwest section, the fastest-growing part of town. He owns 12% of the Grand Hotel near the posh Galleria shopping and office complex and 13% of a Houston Hilton. He has invested another $1.5 million in three Houston banks, and he's a partner in 65 joint ventures in apartments, coal mining and oil and gas exploration. Altogether, Cooley's net worth is probably around $40 million.

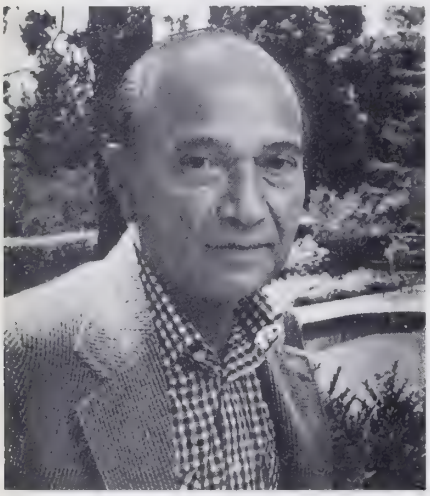
How does he run his professional career and invest so successfully at the same time? The key is *organization*—organizing his time to let him do only those things he does best. The doctors who assist him cut open a patient's chest and pry the breastbone apart with metal retractors. They make slits in the heart and its main artery and insert tubes from a machine that does the work of the heart and lungs, pumping and oxygenating the blood. A splash of cold salt water stops the heart. Cooley performs the operation—usually in 30 to 40 minutes, half the time it would take most other surgeons—and then he's off to another of THI's eight operating rooms. His assistants remove the tubes and close the slits, and the heart resumes its beat. They shut the chest, sew it up with wire and thread and send the patient to the recovery room. If it sounds like an assembly line, consider this: Cooley's patients have a 97.5% recovery rate, even though he takes some cases other surgeons refuse.

His business dealings are arranged with the same efficiency. He has a three-man staff to take care of the details. It is headed by a full-time executive assistant, CPA Gerald Maley. When it comes to a decision only Cooley can make—to buy or to sell, whether and how to develop a given piece of land—Maley slips into his office for a few minutes to get the final word. Otherwise Maley is careful to be sparing of Cooley's time.

Some of the decisions are intricate indeed. In 1978 Cooley paid $2 million for the Hotel Galvez, a 69-year-old resort hotel in Galveston. Cooley and a Hous-

"The West is more resilient"

Economist Ezra Solomon says that Western America holds up better against recession, and will bounce back faster.



"The West is not immune to recession," says Ezra Solomon, "but it is less affected than other regions, and its ability to recover is stronger. Here are some of the reasons why:

1.
"A basic strength of the Western market is its diversified economy. Like an investor's diversified portfolio, it provides balances against the extremes of the cycles.

2.
"The West has younger, more innovative industries (electronics, aerospace, high technology research), a wealth of resources, and a powerful agricultural base.

3.
"It has innovative marketers, and experimental-minded consumers. Many of the national trends get started in the West.

4.
"Its economy is bolstered, and will be increasingly, by TransPacific trade, which already surpasses the entire U.S. trade with the Common Market.*

5.
"The housing market usually leads recovery, and the West, with its heavy in-migration, new industries, and a young population, has an enormous pent-up demand. When the action begins, the West's inventory of unsold homes will disappear rapidly. *Recovery definitely will be faster in the West.*"

**(Sunset has reported on the Pacific Basin since 1898, and was a founder member of the Pacific Area Travel Association. PATA is holding its 30th Annual Conference in Los Angeles and San Francisco, February 17-24, 1981.)*

EZRA SOLOMON was born in Burma, graduated from the University of Rangoon, served with the British Navy in World War II, and took his Ph.D. in Finance at University of Chicago in 1950. He was founding director of the Center for Advancement of Management Education at Stanford University, and is today the Dean Witter Professor of Finance in Stanford's Graduate School of Business Administration. He has served in Washington on the President's Council of Economic Advisers, and has influenced economic thinking throughout the world with his authoritative writing.

危機

The Chinese word for "crisis" contains two characters. One of them means "opportunity."

That was the headline of a Sunset advertisement which appeared nationally in December, 1973, when, you will remember, oil shortages were on every one's mind, and a recession was getting underway.

We saw a heartening moral in the way the Chinese put the word *crisis* together: one character representing *danger*, the other, *opportunity*.

Sunset responded to the urgencies then as it has done through the years, by showing Westerners how to minimize problems and often turn them into opportunities: how to save energy, conserve water, maintain and improve their homes economically, and enjoy gracious foods at modest expense, for example.

Another crisis, other problems in need of solution.

Today it's anxiety time again. Recession, inflation, unemployment. Tensions in

world around us. And, in the midst all, a nervous mountain blows op. Like the dynamic Western ket, our land is still evolving.

are not Pollyannas at Sunset, we have been through a lot of ups downs in our 51 years as *The azine of Western Living,* and as nfluential periodical since 1898. know that problems are a spur to evement for determined Americans. y of the positive trends are born in West, and quickly spread to the rest e country, and around the world.

st number of those creative tern ideas receive both exposure implementation in the helpful es of Sunset Magazine and Sunset ks. Millions of Westerners, in l times or bad, vote Sunset the *most ful* magazine they read. (And e kept its circulation growing faster the West's population.)

eed the word of . Solomon.

keters, plagued by rising costs declining markets, will do well to l the counsel of Ezra Solomon: the t is more stable during recession, geared to faster recovery.

West, with 19% of the U.S. popu- n, has close to 50% of the total land , and a lion's share of resources. e West were a nation, it would fifth in the world in GNP, and top najor industrialized nations in capita income.

ording to latest U.S. Census mates, nine of the ten states with astest growth rate in the 70's are in West, and over half of the Western vth has come from in-migration, ct which reinforces Ezra Solomon's diction that the inventory of unsold sing in the West will disappear dly.

v is the West doing in the recession? artment of Commerce figures show first quarter retail sales markedly stronger in the West than in the rest of the U.S. Durable goods sales were up 3.2%, against 0.2% in the rest of the country. California's foreign trade was up 30% in the first four months of 1980.

Fabian Linden, Director of Research for the Conference Board, wrote in the June issue of *Across the Board,* "Household incomes are also affected by the region in which you live. The largest differences are in the South, where per capita income runs some 7% below par, and in the West, where it is 9% above."

Ezra Solomon has the great word for the West: Resilient.

The West is also optimistic.

As Sunset's Chairman and Publisher, Bill Lane, reported to the Western Governors' Conference at Lake Tahoe on June 10, "History, plus the later mass migration for gold and silver, have left a pioneer spirit with Westerners. They tend to be more adventurous, more willing to make changes, to take risks, and to experiment."

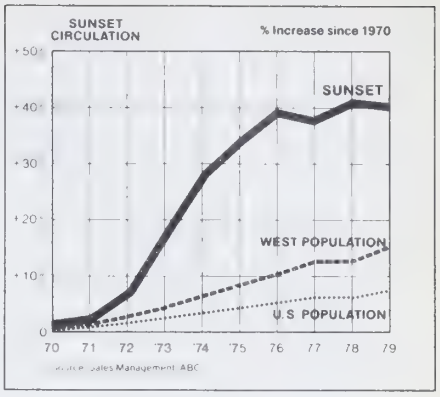
"The Westerner," Bill more recently stated, "is tough and fights back. What better example than San Francisco after the earthquake and fire of April, 1906?

The following month, the lead article in Sunset Magazine prophesied:

Every eye is on the future: a new San Francisco, larger, more beautiful, stronger, and more inviting in every way than the one whose ashes now cover nearly twelve square miles."

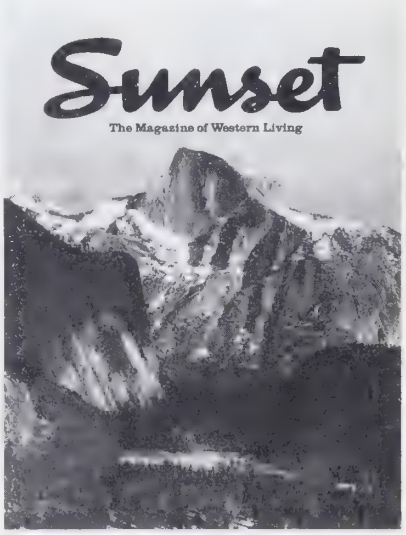
Business executives now have the opportunity to concentrate on a market where the pioneering spirit, the ability to adapt and roll with the punch, is a major strength.

The market is Western America, and the access to its most stable customers



is Sunset Magazine, better equipped than ever before in its history to serve the needs of its mass audience of 5.2 million readers. And to serve its advertisers with three separate advertising editions.

Sunset Books and Sunset Films are products of the same skills that make Sunset Magazine the indispensable idea source for Westerners.



Sunset
WORKS FOR THE WEST

Lane Publishing Co., Menlo Park, California 94025

Magazines • Books • Films

Visitors are welcome every weekday (except holidays) from 10:30 to 3:00

ton hotel developer shared the $9.5 million cost of renovation, and the Galvez reopened in June as a Marriott franchise. Because the Galvez is a national historic monument, Cooley can write off the improvements—some $8.5 million in this case—in 5 years, instead of a more normal 20 years. If he chooses, he can shelter his medical income, which is taxed at 50%, behind the depreciation. After five years, he will have little depreciation to offset the hotel's profits, which as investment income are taxed at 70%. But Cooley and his advisers know what many investors often forget: that money has a dimension in time. By reinvesting the money that otherwise would go to taxes, he can use it as productive capital for five years. In this sense, a tax dollar deferred is a capital dollar borrowed interest-free. Cooley understands such complexities almost instinctively.

CPA Gerald Maley, Cooley's business manager
"If they make an offer we can't refuse? Why, we take it."

His basic investment strategy is simple. Deceptively so: He buys large tracts of land to the west of a city—"Houston, like most American cities, is growing west," he explains—and keeps it until the city catches up with it. He leverages heavily at the outset. Cooley likes to buy on thoroughfares and intersections, like the 25 acres he bought eight years ago on a corner in southwest Houston. He sold the tract last March for a 200% profit. "You don't have to be very bright to recognize that those sites are blue chip," he says. "*Something* is going to be there. It's just a question of how long until it materializes."

Cooley started 25 years ago with a few sound principles like that, and he's made his fortune by sticking to them. "Buying real estate, particularly undeveloped real estate, is *not* like shooting craps," he says. "You're in it for the long pull, or you shouldn't be in it at all." He was never swayed by real estate fads; he never sold out at the first hint of a panic; he never tried to buy slum property, dress it up and turn a quick profit. He's still holding property he bought 20 years ago, and he never lists it for sale. "I get calls constantly," says Maley, "and I tell them, 'Nothing's on the market, but if you want to come forth with an earnest-money contract, we'll look at it.' But I won't give them a price because we never set prices. If they make an offer we can't refuse? Why, we take it."

Cooley sometimes sells part of a tract and lets the buyer develop it, thereby escalating the value of the land he keeps. In 1973 he bought 1,100 acres in a rural town southwest of Houston. Four years later he sold 225 acres to U.S. Home for residential development, doubling the value of the 875 acres he still holds.

Cooley has always liked dealing in raw land because it doesn't distract from his medical pursuits. He and his staff don't have to worry about details like building permits, dealing with contractors and raising construction money. But changing tax laws have forced some changes in his strategy. When Cooley first began investing, he could write off 100% of the interest expense on his borrowed money. In 1976, however, Congress imposed stringent limits on investment interest deductions unless offset by investment income. So Cooley began putting some of his money into income-producing ventures, such as a recent joint venture with a Houston town house developer.

As another income-producing investment, Cooley is developing a 100-acre tract he owns. On 5 acres a six-story, $8 million office building is going up, a joint venture with a local developer. One of the banks he has invested in will be the major tenant; the rest is speculative. Cooley plans to spend $2 million to lace the tract with streets and sewers, and then he and Dallas real estate king Trammell Crow will build an office and warehouse park on another 30 acres. Cooley has not yet decided what to do with the remaining 65 acres. He will develop it himself, perhaps with another hotel or office building, or sell small parcels with restrictions on their use. Patience is the name of the game. Few investors really have it.

Has Cooley ever made a bad real estate investment? Sure, he says, but not in Houston. In 1965 he and two partners bought 100 acres on a freeway sou San Francisco. After ten years of t to develop it, Cooley sold out and to over-$100,000 loss. "Every time wanted to push some dirt or move a the environmentalists came dow you," he complains. "If we had had same piece of property in Hou [where zoning laws don't exist and vironmentalist" is a dirty word would have been a *glorious* investm

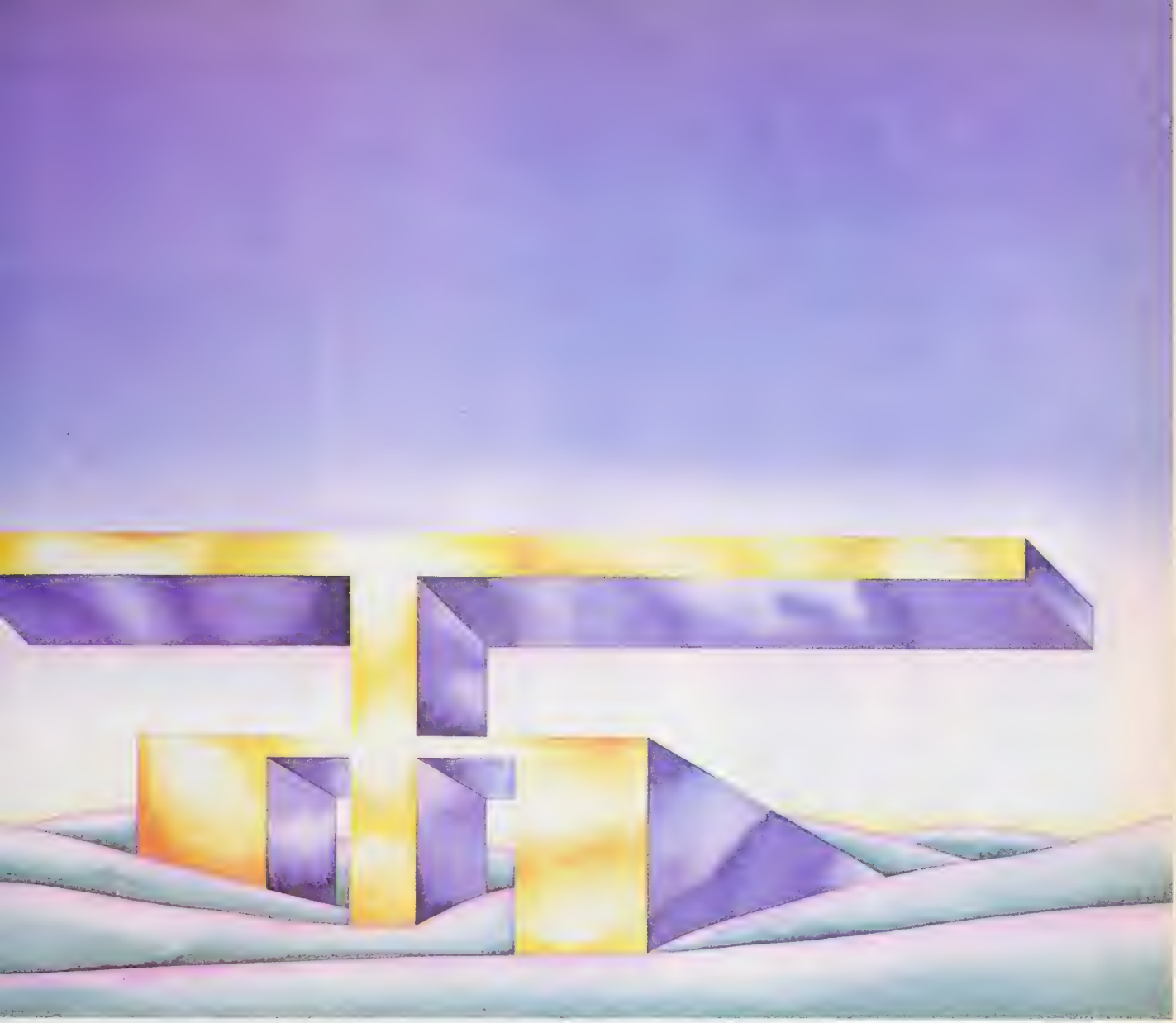
Cooley's family has lived in Ho for a century, since his grandfather, estate man, moved from Nebraska t velop the town's first classy neig hood, the Houston Heights. His f was a reasonably prosperous dentist Cooley often felt himself a step b the offspring of other old Houston ilies. This made him want seriously rich. Says he: "In a capitalistic so what other objective measure is the

Cooley was always an achieve was a star basketball player at the versity of Texas. Johns Hopkins Un sity School of Medicine in Balti came next and then a senior residen Brompton Hospital for Chest Diseas London. In 1951 he returned to Houston's other top heart surgeon, chael DeBakey, on the Baylor Unive College of Medicine staff.

In 1967 Dr. Christiaan Barnard formed history's first heart transpla Capetown, South Africa. Within the first in the U.S. followed, at Mai ides Hospital in New York. In Ma 1968 Cooley performed the first in H ton, but he was stymied by a lac donors, especially ones whose tis matched well enough to minimize body's rejection processes. So he b research on an artificial heart to ke patient alive until a donor coul found. In 1969, after a bitter dispute DeBakey over the use of one model, ley left Baylor and built Texas Hea stitute across the street. Since 197 has been working on the ALVAD de a replacement for the left ventricle, step toward a total artificial heart.

Cooley is a real Texan—six-foot and rangy, with a broad accent and c ly southern manners that soften—if don't mask—his strong competitive He believes in the Texas values: co vatism, independence and friendli "When a Texan makes a deal, he lea little bit of change on the table," Co says. "He doesn't try to squeeze out last nickel. A handshake in Texa probably as good as a 20-page con anywhere else."

Any advice to other professional those notoriously poor investors? says Cooley: Don't get too fancy. D try to start a new trend. Identify an e ing trend and follow it. Be conserva In medicine Cooley is a trailblazer, b investments he sticks to the tried true.—*Tom Mack*



COAL ALONE WON'T SOLVE AMERICA'S ENERGY PROBLEMS

America built its industrial might low cost energy; first wood, n coal, then oil and gas. Now, ybe, coal again. Even today, we sitting on more coal reserves n we can use in a hundred years.

But coal alone isn't the answer. That's why MAPCO is involved in many kinds of energy in addition to coal — oil, gas, uranium and geothermal. With efficient and far-sighted development of these resources, we'll help America move down the road to self sufficiency.

The energy business of the future will be exciting and rewarding, as long as we make efficient use of our most important resource...

Imagination.

MAPCO

BRINGING IMAGINATION TO THE BUSINESS OF ENERGY

MAPCO INC. • 1800 S. BALTIMORE AVE. • TULSA, OK. 74119 • SYMBOL MDA/NYSE/MWSE/PSE

Faces Behind The Figures

Edited by Jefferson Grigsby

Breaking silence

As quiet over his firing at RCA as Jane Cahill Pfeiffer was noisy over hers, ex-RCA President Maurice R. Valente finally broke his silence, a good four weeks after he was unceremoniously ousted from his $600,000-a-year post. Referring

Ex-RCA President Valente
Borrowed words sometimes backfire.

to rumors spread by RCA executives that he had used the RCA company plane for personal purposes, he replied: "That's a damned lie."

But in other ways, Valente was philosophical. What about RCA's announcement that his performance on the job "did not meet expectations"? Valente calls the statement "unfortunate" but understands why Chairman Edgar Griffiths used it. When CBS Chairman William S. Paley fired President John D. Backe back in May, Paley issued a standard "personal-reasons" release that caused a flurry of speculation in the press. "Then Paley finally said Backe wasn't meeting expectations," Valente says. "Griffiths borrowed that language for my release, hoping to shorten the period of news comment, but achieving the reverse.

"Now, I disagreed with his conclusion. After all, before going to RCA, I was number two man, chief operating officer, at ITT. You don't get that job without a lot of hard work. I don't think 5½ months is enough time to determine whether a man can meet expectations. In fact, the board made that decision in the second week of my fifth month."

What's next? Valente has several offers. Also, a settlement of $1 million or so. But he adds bitterly: "I could have done that job."—*Robert J. Flaherty*

Highballing

Richard Dicker, 66, the grandfatherly chairman and CEO of Penn Central Corp., has a Grif Teller painting hanging in his midtown Manhattan office—a screaming Pennsylvania steam locomotive that seems to be highballing right out of the past. "I keep that around as a reminder of the great contribution the railroad made to the American economy," he says.

But there are no locomotives, steam or otherwise, in the born-again Penn Central, since 1976 a leisure, real estate and energy company. Last month Dicker thrust the company into a new field with the $630 million acquisition of Connecticut-based GK Technologies, a manufacturer of wire and electrical components. With a potential $2 billion left in tax-loss carryforwards from the bad old days, Dicker still has earnings to shelter from new acquisitions. So far, those earnings have grown slowly—from $97 million in 1978 to $101 million last year.

Dicker, who drives a Maserati, intends to stay aboard Penn Central at least until he achieves his goal of getting it soundly back on the track. For the time being he'll continue poring over a "long list" of potential acquisitions, some, he says, in the billion-dollar range.

Now, a visitor asks, how about a photo in front of the Teller painting? Dicker shakes his head firmly. "I don't want people to think of Penn Central as a railroad company anymore."—*Jeff Blyskal*

Elmer by the horns

Borden CEO Eugene Sullivan stepp to the podium at a Manhattan news ference last month to announce a sw ing reorganization that is intend bail Borden out of its high-intensity, return commodity sugar, fertilizer bulk cheese businesses.

The plan will raise a hoped-for

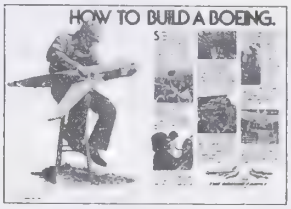
Sullivan of Borden
How could it not work?

million to help fund $1.5 billion in ital spending for lines like spec chemicals and specialty foods. Sull will have to orchestrate a dozen spi in this quarter. The key to the w thing, he says, was the sale of Bor phosphate mining operations in Jul $200 million—a deal that will allow to dispose of North American S Smith-Douglass fertilizer, Mystik T Lustro-Ware and Sterling plastic g without taking a bath in earnings.

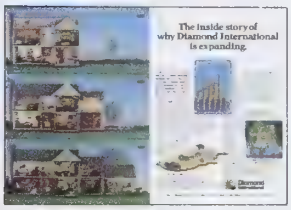
Why did the 60-year-old Sullivan

Dicker of Penn Central
Yesterday and tomorrow.

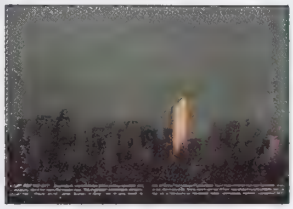
PHILLIPS PETROLEUM
WAS HERE.



BOEING
WAS HERE.



DIAMOND INTERNATIONAL
WAS HERE.



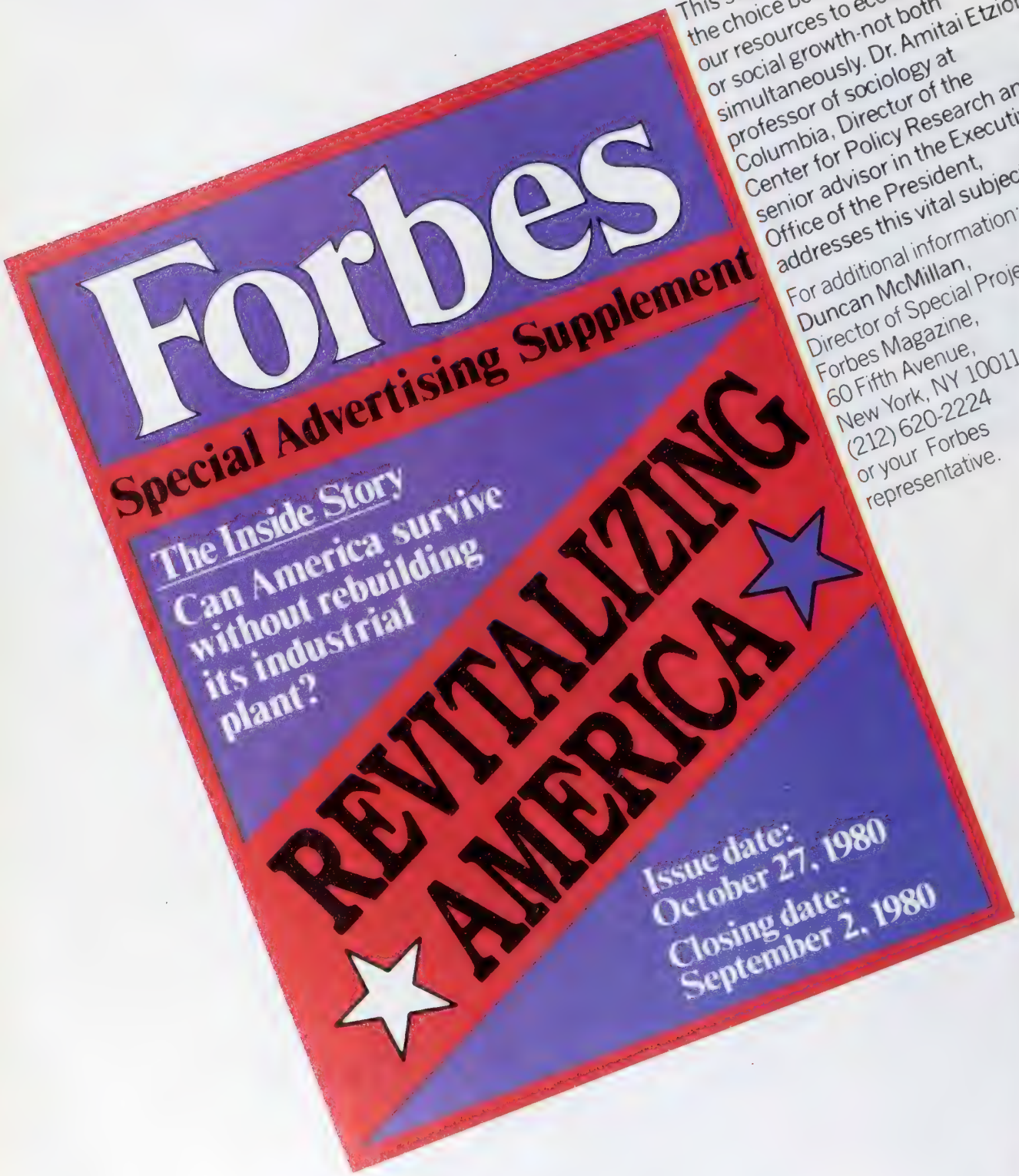
UNITED TECHNOLOGIES
WAS HERE.

TRW
WAS HERE.

WHERE WERE YOU LAST WEEK?

What makes for a great corporate campaign?
A great corporate audience.
Opinion-leaders, decision-makers, and investors
who read thoroughly and thoughtfully.
Which is why so many major corporations put stock
in people who read The New Yorker.

YES, THE NEW YORKER



This supplement deals with the choice between allocating our resources to economic or social growth-not both simultaneously. Dr. Amitai Etzioni, professor of sociology at Columbia, Director of the Center for Policy Research and senior advisor in the Executive Office of the President, addresses this vital subject.

For additional information:
Duncan McMillan,
Director of Special Projects
Forbes Magazine,
60 Fifth Avenue,
New York, NY 10011
(212) 620-2224
or your Forbes representative.

If it concerns you, advertise in "The Inside Story" in Forbes

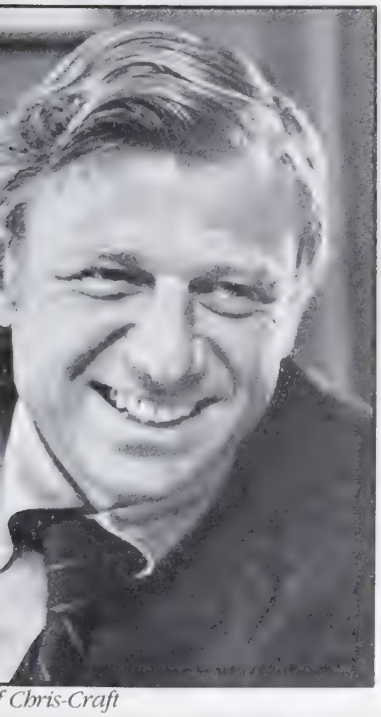
Faces
ehind The Figures

ıe to take Elmer by the horns? It's es, he says. He points to another ructuring at Esmark. *(See* FORBES,). "Look at Colgate-Palmolive g off Rubinstein, the Kraft-Dart " he says. "All these develop- reflect how companies are reeval- to cope with changing circum- . We've been reexamining the s for a long time, trying not to be ɔy traditional businesses. And we alone."

ɔme, then, to the wonderful new where profitability counts for ıan mere size and where execu- orry more about their sharehold- ı they do about tradition. "It's so tic," says Gene Sullivan, "it has ."*—Christine Miles*

Go away, please

ef executive of Twentieth Cen- x Film Corp., Dennis Stanfill, an former corporate finance man, rprised a good many people by his own among the knife-wield- eeler-dealers who infest Holly- He may have met his match, in Herbert J. Siegel, the tough an of Chris-Craft Industries. Craft isn't much of a company—it wo TV stations and a rather ecked pleasure boat operation—



f Chris-Craft
afraid of Dennis Stanfill?

but it has spent a few years and over $60 million buying up 21% of Fox shares. Just for an investment, Siegel said, but Stanfill was hardly convinced. Hadn't Siegel tried earlier to take over Paramount Pictures, driving it into Gulf & Western's arms? Hadn't he spent eight years in court fighting Bangor Punta for Piper Aircraft? When Chris-Craft rejected Fox' offer to buy back its own stock for nearly $40 million more than Chris-Craft paid, Siegel not only turned down the offer, he bought more. Stanfill's response was to sue Chris-Craft for scheming to take over Fox. Siegel's response? "I've already been through eight years of litigation," he told FORBES. "Does anyone really think this is going to scare me?"*—Thomas Jaffe*

Texas Democratic Representative J.J. Pickle
"I've seen the pendulum swing."

The Pickle dividend

Doing something about double-dividend taxation used to be as popular in Congress as Yasir Arafat at a B'nai B'rith picnic—a loophole for the rich, the liberals would call it. But now Representative J.J. Pickle (D–Tex.) has 92 cosponsors on H.R. 654, to defer taxes on up to $1,500 of a taxpayer's reinvested dividend income. Pickle thinks the number of congressmen jumping on the bandwagon could well double.

"In five years I've seen the pendulum swing from 'closing tax loopholes' and taxing business more and more to where there's now favorable sentiment for capital formation," says the nine-term congressman, who sits on the powerful House Ways & Means Committee.

How much the Pickle bill could be expected to reduce tax revenues depends on who counts. The committee's staff study estimates up to $1 billion annually after two years. Pickle thinks it's less. Supporters claim a revenue gain by the third year—as well as a bonus of 50,000 new jobs a year—as the extra investment begins to yield results.

If there's a tax cut, Pickle says, he's fairly certain his bill will be part of it. "But I've been here long enough to know that nothing is permanent—besides death and taxes."*—Jerry Flint*

Half-speed ahead

Antinuclear activists were hoping that President Carter would tap one of their own as the next permanent chairman of the Nuclear Regulatory Commission. But they are in for a disappointment. Albert Carnesale, a nuclear engineer nominated by Carter last month, is decidedly pronuclear.

The 44-year-old professor at Harvard's John F. Kennedy School of Government phrases those views carefully, however. "I would not see technology as the problem. The problem is defining the combination of *real* safety risks and *perceived* risks," he says. "In terms of our learning processes, Three Mile Island was very important. In terms of the risk to public health, fortunately, it was not."

The no-nukes forces are already beating the drums against Carnesale, so he is quick to point out that being pronuclear is a matter of degree. He cites his involvement in the 1977 Ford Foundation study, "Nuclear Power: Issues and Choices," that favored nuclear power in general but opposed the government's proposed Clinch River, Tenn. breeder reactor, since then put on the shelf by Congress. The fact that he's for conventional reactors, Carnesale says, doesn't mean he's for "everything that's nuclear."*—Carol E. Curtis*

NRC's Carnesale
A matter of degree.

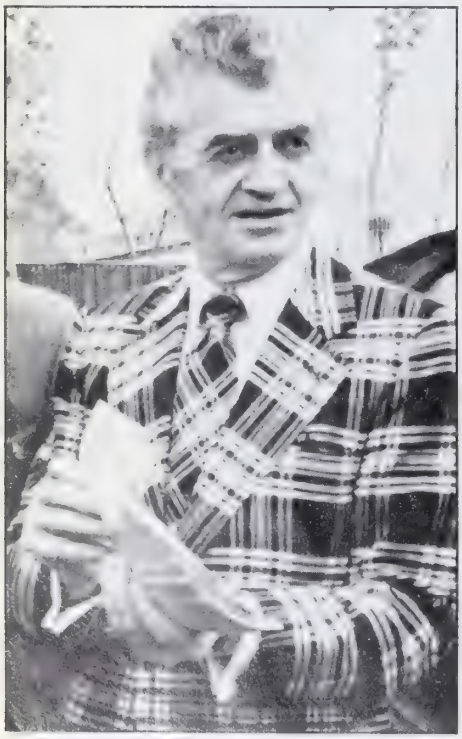
Faces
Behind The Figures

Let 'em play ping-pong

Eccentricity is an honored tradition in the British Isles, and Scottish-born Bill Forbes-Hamilton seems to be doing his bit. When Britain's soaring unemployment reached 1,659,676 in June, the 48-year-old former actor picked the first six off the unemployment line in Bath, England and paid them $3.50 an hour to play table tennis and visit art galleries, museums and theaters.

A paid-up member of Margaret Thatcher's Tory Party, Forbes-Hamilton says his idea of creating "leisure consumers" is free enterprise in action. Microchips are eliminating jobs so fast, he says, that retraining is not the answer—"leisure is the only growth industry left."

Sadly for the other 1,659,670 British jobless, Forbes-Hamilton's largess was a pilot program only and a one-day affair at that (total cost: $470, of which $400 was reimbursed by sympathetic locals). "I have shown the way," he says. "Now it's up to others."—*Barbara Ellis*



Social pioneer Forbes-Hamilton
"I have shown the way."

Play it again, Jules

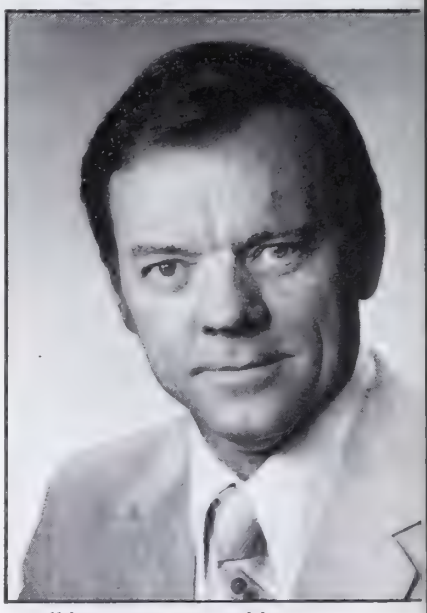
Budget Rent a Car, says Jules W. Lederer, was like a bumblebee: It shouldn't have been able to fly, but it did. Lederer masterminded Budget from a one-location price-cutter started in 1958 by a friend, M.J. Mirkin, to an international company. He sold it to giant Transamerica Corp. ten years later for $8 million, of which Lederer netted $5.5 million. Then he cooled his heels for a number of years until the no-compete clause in his sales contract expired.

Now 62, Lederer says he's going to try it again with another discount car-rental agency, MPG, which, of course, stands for miles per gallon. With an initial fleet of 150 gas-stingy Toyotas, Datsuns, Chevrolet Citations and Chevettes, Lederer says he will offer rates as low as $12.95 a day and 5 cents a mile (compared with an average $27 and 33 cents for Hertz and an average $18.95 and no mileage charge these days for Budget). He estimates the Los Angeles-based company will lose $375,000 the first year. "I'm going to compete with the industry head-on, just like I did at Budget," he says. The pilot operation opened in July in Los Angeles, and Lederer has already sold one franchise in southern California.—*Ellen Paris*

Lederer of MPG
Can the bumblebee fly again?

"Glad you asked"

George T. Spalding doesn't think much of the Small Business Administration. Back in the early Sixties, he tried to get an SBA "survival loan" for his business, Diemakers, Inc. of Monroe City, Mo. "The SBA told us to come back only if we'd been turned down by three banks," he says. "Well, that was no problem, but then the SBA wanted the kind of collateral that—if we'd had it—we could have gotten any bank around to loan us money. Finally, some local busin men's groups here bailed us out an they hadn't I don't think we'd have vived." In May Jimmy Carter na George Spalding "Small Business Pe of the Year." Spalding used the resul attention to let loose a blast, not at SBA, but at the Federal Reserve Boar don't know how to pull out words describe how terribly devastating th high interest rates have been to sn businesses," he says. "You have to s wondering whether the ends really ju fy the means."



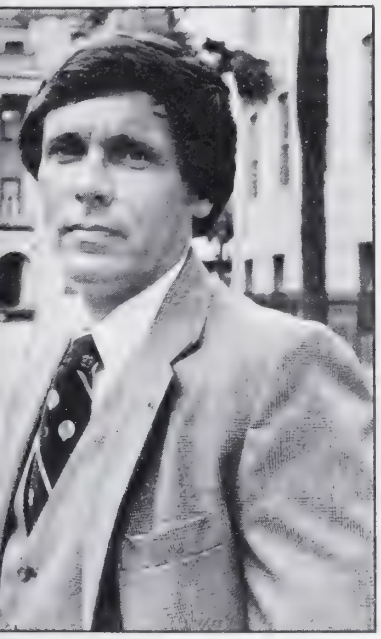
Small businessman Spalding
Are you listening, Paul Volcker?

rmer's son, Spalding, now 47, was and-diemaker in 1960 when he s brother started their company, last year grossed $9 million. Now, s, he faces the same dilemma all businessmen have: "How do you any money from your business t selling it? If you pay a dividend rself, you pay out about 80% or that to the government. The only come out ahead is to sell it to a mpany for stock with the taxes d. Why isn't it as profitable to small business as it is to sell it?" ngress listening?—*Linda Gasparello*

Yes, ma'am

count, some 20 key Chicago mu- officials had passed through May- Byrne's stormy executive suite ner election in April 1979. The s not likely to raise his voice. F. itsman, 38, former assistant city er of Savannah, Ga., is Chicago's dget director. He fills a position s been vacant since January when ired Donald Haider, 37, then con- one of her better appointments, $29 million property tax over- error.

vannah, a city of 113,000, Wits- ndled a total budget of $7 million.



Budget Director Witsman
lete control" but a low profile.

ation's second-largest city he will one of $1.4 billion. He gets a nice se, from $34,000 to $51,000, but probably wind up earning it: The wants to wipe out the city's $103 budget deficit and restore its AA ating (it was lowered to A-plus this year). To do that, Witsman e intends to adopt some tough al controls. Mayor Byrne, he says, en him "clear and complete con- my realm."

Does that mean he intends to stand up to the mayor when necessary? Well, not exactly. "My role is to put to work what elected officials want, not to make headlines," says Witsman, whose doctoral degree is in political science (from Purdue University) rather than accounting. Such ambivalence isn't too difficult to understand. Byrne refused to give Witsman a contract.—*Lisa Gross*

Abu Dhabi's Adams
Doing something about that spread.

Adams of Arabia

Richard V. Adams can trace his lineage back to *the* Adams family ("I'm not sure of which branch"), but today he is Dick Adams of Abu Dhabi.

Adams, former executive vice president for asset and liability management of New York's Chemical Bank, is general manager and treasurer of the National Bank of Abu Dhabi. One of the Arab Emirates, Abu Dhabi's population is only 350,000 but the National Bank has assets of more than $4 billion—oil, you know.

One of the first highly experienced American international bankers to join the staff of a Middle East bank, Adams is a former special assistant to the Secretary of the Treasury (in 1971-72) and also once headed the bond department of National City Bank of Cleveland. He left Chemical in October, after a dispute with top management over interest rates—they went higher than Adams thought and came down sooner than his bosses thought.The argument ended in a draw but with Adams out of work. Abu Dhabi, meanwhile, was looking for asset-liability management. A two-year contract at a six-figure salary may help to compensate Adams for the heat and the inconvenience.—*Ben Weberman*

The rolls of literature

Why would bestselling authors like Irving Wallace *(The Book of Lists)* and Richard Smith *(The Dieter's Guide to Weight Loss During Sex)* allow their works to be reprinted on toilet paper? Simple, says Ronald Rothstein: "The product is unique. I give publishers display space they couldn't otherwise get." Rothstein's tiny ($2.5 million sales) company, Oh Dawn Inc., has put readable toilet paper, at $3 a roll, into 120 department stores and thousands of gift and specialty shops across the country.

A native of Brooklyn with degrees from Wharton and the University of Miami Law School, Rothstein tried his hand at various professions—as a lawyer, as a broker in a family firm that lost $4 million of its own money in the late Sixties and as a financial consultant in the early Seventies, before finding his niche. Oh Dawn pays publishers a royalty of 5% of gross sales. Rothstein also has put NYSE stock quotations on toilet paper, as well as an original written-for-toilet-paper story from Marvel Comics. The company also publishes the *New York Times Cookbook*, but not on toilet paper—the *Times* book is fit to print only on paper towels.—*Jonathan Greenberg*

Rothstein of Oh Dawn
A new medium of communication.

This announcement constitutes neither an offer to sell nor a solicitation of an offer to buy these securities. The offering is made only by the Prospectus, copies of which may be obtained in any State from such of the undersigned and others as may lawfully offer these securities in such State.

July 11, 1980

$400,000,000

The Dow Chemical Company

11.25% Debentures Due July 15, 2010

Price 99.125%
(Plus Accrued Interest)

Smith Barney, Harris Upham & Co.
Incorporated

The First Boston Corporation

Goldman, Sachs & Co.

Merrill Lynch White Weld Capital Markets Group
Merrill Lynch, Pierce, Fenner & Smith Incorporated

Salomon Brothers

Bache Halsey Stuart Shields
Incorporated

Bear, Stearns & Co.
Incorporated

Blyth Eastman Paine Webber
Incorporated

Dillon, Read & Co. Inc.

Donaldson, Lufkin & Jenrette
Securities Corporation

Drexel Burnham Lambert
Incorporated

E. F. Hutton & Company Inc.

Kidder, Peabody & Co.
Incorporated

Lazard Frères & Co.

Lehman Brothers Kuhn Loeb
Incorporated

L. F. Rothschild, Unterberg, Towbin

Shearson Loeb Rhoades Inc.

Warburg Paribas Becker
A. G. Becker

Wertheim & Co., Inc.

Dean Witter Reynolds Inc.

Atlantic Capital
Corporation

The Economy

MONEY & INVESTMENTS

A broken speedometer?

ENRY WALLICH, a governor of the Federal Reserve Board, recalls: "We thought we were following a of credit restraint in 1974 and y successive reductions in the targets for money. We started out %-to-7½% targets and worked own to 4%-to-6½%."

s rather like trying to gauge the f a car with the speedometer not ning accurately. It was telling you *ng*, but not how fast you were n this case the problem was that was taking on new shapes, new and the Fed was not counting Wallich explains what happened, e stage was set for the heavy n of 1978 and 1979: "When we over our shoulders years later, we red that policy was not tight and tead, been very easy."

About $40 billion of what served as money was not being counted as money. The old measure—currency plus demand deposits—was no longer adequate. Something happened after 1974, but the regulators had not yet spotted it.

Now, Wallich wonders, "Are we again going through a similar type of shift in the demand function, still unexplainable by evidence, that began when interest rates were up in the 15%-to-20% range in March and April?"

The chart below *(left)* shows that M1B—the money supply series which measures cash in circulation, demand deposits and all savings accounts against which checks can be arranged—has been falling far below targeted floors. That is the hallmark of very tight credit. But the right side of the chart shows that interest rates have also been falling sharply. So, where's the tightness?

The Federal Reserve spent almost two years of intensive research to develop and announce this February a set of money-stock yardsticks that would take into account previously unmeasured uses of money. Are the data already obsolete?

But wait. This is no mere academic exercise. Acceptance of the premise that sluggish money growth needs stimulation could influence the Fed to pump too much money into banks and send inflation, which has been slowing down, into a fresh spiral. It could also give Congress an excuse to hand goodies to voters on election eve.

But what if the money numbers are accurate? Has the Fed been too tough? Refusal to prod growth by stimulating credit expansion could mean that the recession will be intensified.

For the time being, monetary officials will hold a taut rein on credit expansion. Later this year, though, the central bank will be forced to accommodate heavy U.S. Treasury financing demands. It will do so reluctantly. But it cannot permit a Treasury financing to fail. The balancing act, however, between excess and inadequate stimulation will call for an adroit performance. It will also require more than just a little bit of good luck. The Fed people cannot even be certain that they are measuring the right thing. ■

Where has all the money gone?

licy is aiming for moderate growth in the money supply, enced by the targets for M1B. Despite policy, the money has fallen below even its minimum target. Interest rates, meantime, have been halved—plenty of money is available. Something is going on in the economy that eludes Fed policymakers, or they are not measuring the right things.

Unlike other bonds, the longer-term municipals are still on the bargain counter.

BARGAINS IN TAX-FREES

By Ben Weberman

INVESTORS WHO CAN use tax-free bonds in their portfolios can still pick up many bargains. Unlike corporates and governments, long-term municipal bonds have gone up only modestly in price since the panic days of February and March. Short-term municipals have declined so much in yield that they no longer have much appeal as investment vehicles. Robert Van Kampen, chairman of the Chicago-based municipal bond firm Van Kampen Filkin & Merritt Inc., uses three dates to make the point that long-term tax-frees are extremely appealing: June 28, 1979 for a year ago; June 26, 1980 for the current situation; and February 21, 1980 for the panic levels.

Let's look at a set of data for each of the three dates:

Maturity	Aaa	Aa	A
On June 28, 1979:			
1 year	4.85%	4.90%	5.25%
10 years	5.20	5.30	5.45
20 years	5.65	5.75	5.95
On Feb. 21, 1980:			
1 year	6.90	7.00	7.10
10 years	7.15	7.30	7.35
20 years	7.80	8.00	8.25
On June 26, 1980			
1 year	4.70	4.90	5.00
10 years	6.00	6.10	6.65
20 years	7.25	7.35	8.10

These data show that short-term rates (the top line of each table) are now almost the same as a year ago. The returns on one-year debt have fallen moderately below the yields of similar securities in mid-1979. But look at the yields on the 20-year bonds! A year ago, they were offering returns of between 5.65% and 6%. Presently, it is still possible to get anywhere from 7.25% to 8.10%, depending on quality.

What has kept the longer-term tax-frees from rising faster? There has been a tremendous outpouring of lower-grade, specialized-type tax-frees. The calendar has bulged with state housing agencies, industrial corporation pollution-control bonds, hospital construction and other securities of this nature—rather than the usual state and city general obligations backed by taxing power.

Van Kampen explains that the nature of the municipal bond market creates added pressure on the long-term bond sector. Banks are the principal customers for bonds due in the first ten years. Soggy loan demand and extraordinarily high earnings have combined to provide a good demand for shorter-term tax exempts.

Insurance companies and individuals, on the other hand, want longer issues, such as those coming due in 20, 30 or even 35 years. That leaves a demand vacuum for the bonds of intermediate maturity, say 12 years to 18 years.

But the individuals and corporations who normally buy long-term bonds are reluctant to put on a strong effort. They are not yet convinced that inflation has been licked. If price increases accelerate again, long-term interest rates will rise again and today's purchases could become the market losses of tomorrow.

I don't agree with that projection, but do agree that it is an important market influence. The longer-maturity issues that are so much greater in supply than demand and that, consequently, are relatively low in price, are the best buys in the fixed-income markets at present.

The rise of the yield curve, that is, the difference in return on short-maturity securities, such as a 4.8% yield on U.S.-guaranteed Housing & Urban Development notes and the 9½% on 30-year revenue bonds, is about as wide as it ever has been. The n record spreads between short and l maturity and high-quality and m um-quality bonds offer enormous centive to extend maturity and do grade portfolio quality.

How do you pick from the con ing flood of tax-frees?

My preference is to stick with u trusts. These mutual fund-type ticipations of ownership in a portf of tax-frees have been doing very v because they can show gener yields. Merrill Lynch, the largest s dicator of tax-exempt unit inv ment trusts (more than $7 billion standing), and its partner firms marketing new shares at a $40 m lion-to-$50 million weekly rate. newer trusts carry a return of ab 8.4% to 8.5%. Also moving rapi are specialized funds with the por lio confined to issues of a single st for the advantage of residents of th states who are exempt from state well as federal taxes on interest. M New York fund yields 8.40%, for ample, the Pennsylvania fund, 8% the California, 7.40%.

John Nuveen & Co., the sole sp sor of unit trusts with about $4 bill outstanding, remembers when its $ million trust came to market Ap with a current return of almost 10 A week later a $31 million trust v created with a 9.3% return. Tod the new trusts are in the 8.5% rang

Van Kampen, with trusts of quite $1 billion, specializes in port lios of bonds insured by AMBAC, American Municipal Bond Assura Corp. The latest insured fund ha return of 8.35%. Securities for portfolios of Van Kampen-insu trusts must be approved by AMB to qualify for the insurance. That why the quality is somewhat hig and the yield lower. The insurance cuts into return, too.

The noninsured trusts with port lios that have bonds rated A or bet by both services—Standard & Poo and Moody's—carry a return 8.85%. These are labeled Invest Quality tax-exempt trusts by V Kampen.

Each of these trusts is available $1,000 face-value amounts. One th was formed when rates were hig than today will trade at a premium, available. Those with average port lio returns under current levels will priced at a discount. I would get copy of the prospectus for a particul fund under consideration and try evaluate the quality of each comp nent. Happy hunting! ■

Ben Weberman is economics editor of FORBES *magazine.*

"It is not in my nature to give interviews."

The only private interview that Leonid Brezhnev ever gave to American journalists, he gave to TIME Magazine. "Given the importance of the relations between our two countries," he said, "and the solid reputation of your magazine, I decided to take advantage of your request to answer TIME's questions."

An apt demonstration of one of TIME's most extraordinary attributes: the ability, through such exclusive interviews as those with Soviet Party Chief Brezhnev and China's Vice Premier Deng, to present aspects of the news not available anywhere else.

And it demonstrates, also, TIME's authority and leadership—as newspapers around the world quoted excerpts of the conversation; as statesmen and readers scanned the columns of TIME for new insights into the Soviet leader. Above all, it demonstrates TIME's unmatched editorial quality.

Another reason why TIME has earned more loyal readers, by far, around the world than any other single news source.

The most colorful coverage of the week.

©Time Inc. 1979 All Rights Reserved

EXPLORATION

Brock

CORPORATION

PROFESSIONAL PETROLEUM EXPLORATION

NEW ORLEANS, LA
MAIN OFFICE
231 CARONDELET ST./5TH FLOOR
NEW ORLEANS, LOUISIANA 70130

OKLAHOMA CITY, OK

Explore
our objectives.

Penn Square Mutual Fund has an impressive 23-year track record of finding realistic values among a diversity of leading undervalued stocks. The future's never guaranteed, but if you're interested in long-term capital growth, you should be interested in the details of our philosophy.

For more information, including management charges and expenses, write or call us for our free prospectus. Read it carefully before you invest or send money.

call 800/523-8440
In PA, call collect 215/376-6771

PENN

Penn Square Mutual Fund

Name _____

Address _____

City _____ State _____ Zip _____

23 years of investment experience
Over $140,000,000 in assets

FM

My sympathies are with the utilities that ar paying dividends they really can't afforc My money does not follow my sympathies

CANNIBALS, GAMBLERS, WHISKY

By John Train

LAST NOVEMBER in this column I made the point that investors ought not take earnings per share entirely at face value. I cited a number of major corporations whose real earnings are less than reported earnings and that are, therefore, paying dividends out of capital—that is, cannibalizing themselves. I suggested avoiding such stocks. One of the stocks so mentioned was that of Southern California Edison. The company's management has weighed in with a rebuttal. In fairness, I am citing some points made in that rebuttal but I also include a counteranalysis prepared by the editors of the *Quality of Earnings Report*, the original source for my figures.

1) Management observes that "the flow-through accounting for income taxes that is required for rate-making purposes by the California Public Utilities Commission does result in temporary timing differences with respect to the recognition of expenses for financial reporting and income tax purposes. However, these timing differences 'turn around' over time. . . ."

Quality of Earnings Report replies: "The company seems to acknowledge that Southern California Edison's current dividend policy is not justified by near-term cash flow. In this regard, perhaps they should consider the issuance of dividends in scrip form to be turned in by the investors for cash when SCE's timing differences do 'turn around'. . . ."

2) Southern California Edison points out that the State of California is beginning to provide better rate i lief for utilities.

The analysts reply: "According our own analysis, we believe that 1978 SCE was in need of addition rate relief in the sum of $95 millio This sum represents the differenc between Southern California Edisor tax books and the company's shar holder books.

"We contend that unless Southe California Edison moves rapidly eliminate the substantial amount 'accounting' lag ($95 million in 197 the company is in danger of bei shut out of the longer-term bond m ket in the intermediate future."

I must say in passing that all n sympathies are with Southern Ca fornia Edison and the many utilities including AT&T—that, in order support their stock, are paying div dends they really can't afford. Unf tunately, my money does not follo my sympathies; I certainly would n buy any California utility securitie Only recently the regulators slapped retroactive $80 million adverse ra adjustment on Pacific Bell Telephon

I've had a number of letters fro other utilities bemoaning this pro lem and complaining that unless th can get rate relief they will eventual have to be taken over by their stat at prices that won't make the shareholders happy. The regulato bodies like to make the utilities ove state their earnings, since that kee power prices down. But the shar holders' interests are not served b going along with this fantasy. Th utilities must get relief before the assets get wrung dry, and that wi require accounting realism.

In its report on Southern Californ Edison, *Quality of Earnings Report* sai that after adjusting for underdepreci tion and other items, Southern Cal fornia Edison earned just $1.88 share last year, *vs.* the $3.52 it repor ed; the company paid out $2.24 i dividends.

A valuable tool for the professiona

John Train is president of Train, Smith, Investment Counsel, New York, and the author of The Money Masters *and* Dance of the Money Bees.

y of Earnings Report is published
eporting Research Co., 560 Syl-
venue, Englewood Cliffs, N.J.

Honor Roll

eral columns I have grieved for
ctims of the commodities casi-
inting out grim facts:
The annual commission bite on
tive commodity account is usu-
t least 50%, and often 100%, of
nvestor's equity. It seems to
out to $3 billion to $4 billion a
verall. That's a horrible handi-
try to overcome.
lmost nobody does overcome it.
ail commodity customers, prob-
ot 1% makes money year after
although, of course, some do in
ne year. The rest are victims of
sino, just as if they were in Las
. That's not investing.
The average commodity account
ed out in six months.
re followed an "Honor Roll" of
firms that had declined to han-
mmodities *(Dec. 10, 1979)*. Lat-
RBES received the following:
ur honor roll of major brokerage
s that do not deal in commod-
s impressive. However, you left
r firm, Stifel, Nicolaus & Co.,
not known on either coast, but
nown throughout the middle
We are very proud of our com-
and would appreciate your add-
r name to your honor roll."

Whisky

ears ago I wrote about the then-
pread racket of selling real or
istent quantities of Scotch
y by mail to suckers in Amer-
is for a number of reasons an
able investment for small out-
nvestors. You often don't get
you think you bought, and even
do, it's very hard to resell. The
Consulate General in Edinburgh
nt me, without endorsement, a
respectable brokers, in case you
ving trouble disposing of some.
iverpool: Hall & Bramley Ltd.,
nal Bank Buildings, 24 Fenwick
. In Glasgow: Lundie & Co.
48 West Regent Street; Stanley
orrison, 13 Royal Crescent;
. Strong Ltd., 302/304 St. Vin-
treet; James Sword & Son Ltd.,
rose Street, Queen's Crescent.
nburgh: Peter J. Russell & Co.
5 Frederick Street.
not advise Glencart Whisky
td. I have received a number of
s of "slow pay." ■

100% TAX-FREE BONDS ARE BACK.
SO IS QUALITY.

IT'S HIGH TIME.

HIGH TAX-FREE YIELD TIME.
Investors who are looking for tax-free* income and believe short-term rates have peaked should consider Fidelity Municipal Bond Fund.

HIGH TAX-FREE INCOME FROM A QUALITY PORTFOLIO OF LONG-TERM BONDS.
Fidelity Municipal Bond Fund seeks high tax-free income from a portfolio consisting primarily of A or better quality bonds.
What's more, investors also enjoy the following advantages:
- ☐ No Sales Charge.
- ☐ Daily Tax-Free Income.
- ☐ Convenient Liquidity.
- ☐ Automatic Reinvestment.
- ☐ Full-Time Professional Management.
- ☐ $2,500 Minimum Investment.

CALL FIDELITY.
IT'S HIGH TIME.
CALL FREE
(800) 225-6190
In Mass. Call Collect
(617) 523-1919

FIDELITY
MUNICIPAL BOND FUND
35

P.O. Box 832, Dept. JB 080480
82 Devonshire St., Boston, Mass. 02103

For more complete information, including management fees and expenses, please write or call for a prospectus. Read it carefully before you invest or send money.

Name
Address
City State Zip

Fidelity Group Over $7 billion of assets under management.

*A portion may be subject to state or local taxes.

It is time again to consider
Aggressive Growth Funds

It is a fact that there are more than 50 No-Load Funds alone (never mind the multitude of Load Funds) which have grown by 100% to 1000% in the last 5 years. Obviously there is no guarantee that this kind of appreciation will continue. But it's time to take a new look. And United does, with an up-to-date appraisal of 30 Aggressive Growth Funds which have been outperforming the market since 1974.

Four favorites are featured for the investor who is willing to take some risk, and maybe make some real money.

Also Receive These Bonus Reports
United Analysis of
17 Money Market Funds
A relatively risk free way to make 9% to 13% on your money.
PLUS Performance comparisons of 411 Funds
• Gold Funds • Bond Funds • Income Funds • No-Load Funds • Municipal Bond Funds
PLUS • Completely Impartial Buy-Hold-Sell advice • The Top 25 Performing Funds • United's Supervised List of 6 types of Funds

Included with this package is a 2-issue Guest Subscription to United Mutual Fund Selector
This entire package of Mutual Fund information and advice, just . . . $5

Fill out this coupon and mail it today

Name _____ F8-4
Address _____
City _____ State _____ Zip _____
Not assignable without your consent

I enclose $5
Please send me the entire package of Mutual Fund information and advice

UNITED Mutual Fund Selector®
A Division of United Business Service Co
212 NEWBURY STREET, BOSTON, MASS 02116

Low prices have encouraged soybean product use, but farmers are holding more soybeans than the market requires.

A COMPLEX SOYBEAN COMPLEX

By Stanley W. Angrist

As EXPERIENCED commodity traders have long known, every crop is totally destroyed three times before being harvested. Grain traders who dutifully went long in late June and early July no doubt had that old saw in the back of their minds. They bought, adding fuel to the bullish bonfire as they watched prices climb in response to the unprecedented high temperatures that struck the midsection of the country. But will these extreme temperatures have a real effect on our major crops?

The answer to that question is not obvious. The winter wheat crop was already made when the high temperatures struck. The spring wheat crop, however, is another story; it has certainly been hurt. The corn crop is also likely to have its yields reduced by the weather. But the crop I wish to concentrate on in this column is soybeans. In some ways it is also the most complicated because of its two products—meal and oil.

Besides the weather, various reasons have been given to explain the surge in soybean market prices. They include: 1980 planted acreage will be several million acres less than the Apr. 1 indication of 71.3 million acres, and the embargo on commodity sales to the U.S.S.R. has been weakened (though not lifted). Let's take a look at the other factors that will be influencing the bean and bean product markets:

- Record supplies of beans and bean products have severely depressed current crop prices.
- Based on the present rate of consumption (crush and exports), soybean carryout from the 1979-80 crop may reach only 332 million bushels, compared with a U.S. Department of Agriculture estimate of 380 million bushels.
- April planting intentions and average yield suggest a 1980-81 soybean crop of 2.1 million bushels, compared with 2.3 million bushels estimated for the current season.
- South American production may not match this season's large level.
- Bean and bean product prices are at historically low levels, especially when converted to current dollars. These low prices have encouraged a high rate of consumption.

It is well to keep in mind that only five years ago farmers were planting 54.6 million acres in soybeans, compared with this year's 70 million or so—a 28% increase.

Price concessions have helped. The rate of use of the 1979 soybean crop has been at record levels to date. Based on preliminary estimates through May, the crush during the first nine months of the marketing year totaled 886.5 million bushels. If this year goes on to reflect the average pattern of the past ten years, the crush to date projects to a total for the year of 1.17 billion bushels. To reach th figure the crush would have to avera abut 96 million bushels per month the remaining three months of t crop year instead of the 81 milli bushels the USDA estimates.

Do these figures add up to a bulli case for soybeans? It is difficult come to an unequivocal answer. T low prices have encouraged use, b farmers are still in the unenviable p sition of holding more soybeans th the market requires.

It seems to me that Shearson Lo Rhoades, Inc. has outlined the on reasonable way to play the bean m ket. By carefully digging through h torical price data they have found th October bean oil has a tendency gain on October meal from Ju through September.

As indicated in the table, the spre has shown some profit in every one the last 12 years (excluding comm sions). The maximum potential lo was $3,600 in 1973, which was al the year of the maximum potent profit of $12,200. All of the lows the spread came in July, while most the highs were reached in August a September.

I would purchase October oil a sell October meal, with the meal least at a $4,700 premium to the o (In order to calculate this dollar diff ence one must multiply the price meal in dollars per ton by 100—t number of tons in a meal contract and then subtract the product of t price of oil in dollars per pound tim 60,000 pounds—the number pounds in an oil contract.) I would ri no more than $500 on the spread would accept a $2,000 profit if offere The margin on this spread is abo $1,250, while the round-turn comm sion is usually $130 or so. ■

Stanley W. Angrist is a professor at Carnegie Mellon University and the author of Sensible Speculating in Commodities.

Will history repeat itself?

The soybean oil versus soybean meal spread traditionally hits its low in July, and from then on oil has a tendency to gain on meal. The minus signs below indicate oil selling at a discount to meal.

Year	Close prior to July 1st	Subsequent high spread	Subsequent high date	Maximum potential profit	Subsequent low spread	Subsequent low date	Maximum potential loss
1968	–2,952	–2,858	July 2	$ · 98	—	—	—
1969	–2,702	–1,022	Oct 10	1,680	–2,778	July 15	$ 76
1970	–2,106	1,040	Oct 21	3,146	–2,122	July 13	16
1971	–698	290	Aug 20	988	–710	July 8	12
1972	–3,824	–3,480	July 18	344	–3,909	July 3	85
1973	–13,890	–1,690	Oct 10	12,200	–17,490	July 23	3,600
1974	4,460	12,160	Sept 30	7,700	4,050	July 12	410
1975	–575	2,498	Aug 7	3,068	–1,090	July 1	520
1976	–8,390	–4,410	Sept 15	3,980	–9,552	July 6	1,162
1977	–3,430	–1,820	Aug 24	1,610	–3,680	July 6	250
1978	–3,142	–1,184	Sept 21	1,958	–3,302	July 6	160
1979	–3,758	–1,730	Sept 14	2,028	–4,590	July 6	832

The Democratic Convention Starts August 11. Be There... No Matter Where You Are.

he Democrats meet in New York City ugust 11-August 14 to name their choices for merica's leadership over the next four years.

Be in the thick of things wherever else u go!

CBS Radio brings you right into it with onvention coverage by America's finest oadcast news team, CBS News. You'll hear BS News Correspondents Reid Collins and harles Osgood as anchors along with George erman, Andy Rooney, Neil Strawser and any more. They'll bring you comprehensive ne-minute wrap-ups twenty minutes after d ten minutes before each hour—plus tended coverage as needed.

And before the Convention, August 8-August 10, we'll set the scene with three pre-Convention countdown broadcasts, anchored by Charles Kuralt, Charles Osgood and Bob Schieffer.

Whether you plan to be at work or at play, plan on joining us for one of the great events of CAMPAIGN '80. An event which will shape your life—as well as the nation's life—for the next four years.

CBS Radio Network

The rich will have no problems, but what of the middle class whose estates may be a few hundred thousand dollars?

THE FUTURE WIDOW REVISITED

By Heinz H. Biel

SOME FIVE YEARS ago (FORBES, *May 1, 1975*) I wrote a column that must have struck a highly responsive chord because never before or ever again have so many readers written to me or called. Many of them wrote to tell about their own sad experiences; others wanted elaboration; and as recently as a month or so ago a faithful reader wanted to know whether I had changed my mind and suggested that I bring the story up to date.

"What To Tell Your Future Widows" was the heading of that column. I reread it and I am happy to say that it is as valid today as it was then. It dealt with the problem facing a widow whose provident husband left her some money. Despite ERA and financial sophisticates like Muriel (Mickey) Siebert (our New York State banking commissioner), there are still many women who have not graduated much beyond balancing their checkbook and to whom the financial pages of the newspaper or an annual report are just a bore.

To whom does she go for advice on how to handle her inheritance? If she is rich, some seven digits in these days of inflation, she will have no serious problem. Her late husband will (or should) have made suitable arrangements with his lawyer or his bank's trust department or with his investment adviser. Since the fees to be earned are substantial, his widow will be treated with tender loving care, consideration and, hopefully, competence.

But what about the vast number of middle-class Americans whose estates may be a few hundred thousand dollars? They have a far more difficult time getting good advice tailored to suit their individual needs. Unfortunately, few investment advisers or bank trust officers can afford to give them the same personal attention that they can lavish on the rich. More often than not the smaller account will be administered as part of a big pot, where by sheer necessity little consideration can be given to the specific needs of the individual. After all, it does make a great deal of difference whether the client has a life expectancy of 10 years or 30 years. Sure there are exceptions, but good and conscientious counselors are hard to find.

Even though I am a stockbroker myself, I would have misgivings about having my future widow entrust whatever is left to the care of a stockbroker. I know many brokers who are excellent in their judgment, who take meticulous care of their clients and who will avoid even the remotest suspicion of conflicts of interest. They are rare, but if you find one you will have to keep in mind that he is human. He will be getting older and may retire and, eventually, he will die. What th

Trust departments of banks, course, live forever. Their investm performance is a matter of rec Some are outstandingly good, wh others are dreadful. Some banks tr you fairly. Others, also judging reports from FORBES readers, r roughshod over you and you are no ing but a cow to be milked. I husband wants to set up a trust his future widow, he would be w advised not to make the bank sole trustee. Make the widow, o person with plenty of common sen a co-trustee.

All of this is as true today as it w five years ago. The solution I p posed, certainly not ideal in all spects, also stood the test of ti well. These were my suggestions:

1) Put 10% into a "money fun They have instant liquidity, makin possible to keep the balance in t checking account at a minimu Over the years they have paid cons erably more than one can get on passbook savings account. This is s the best place for the liquid reserve

2) Another 20% should go in intermediate-term (eight to t years) bonds, rated not lower th AA and, preferably, listed on t NYSE. Such bonds were yielding b ter than 8% at the time. Desp inflation and the recent upheaval the bond market such bonds ha held up reasonably well because the nearness of maturity. I would the same today (at about a 10 yield), but shorten the maturity five to seven years.

3) I proposed that the remaini 70% be placed into three or fo closed-end investment trusts a named two large ones, *Tri-Continen Corp.* and *Lehman Corp.*, and t

Change in net asset value

	1975	1976	1977	1978	1979
S&P's 500	31.5%	19.1%	–11.5%	1.1%	12.3%
Tri-Continental	30.7	19.6	–11.2	1.4	18.2
Lehman Corp	27.3	14.0	–6.5	8.7	25.3
General American	31.4	17.6	–1.3	15.4	35.3
Niagara Share	20.8	16.3	–5.8	11.5	47.5

Appreciation yardstick

	Price 4/14/75	Price 6/30/80	Capital gains distribution*	Total appreciation	% appreciatior
S&P's 500	85.60	116.56	—	30.96	36.2%
Tri-Continental	19⅛	20⅝	$5.15	$ 6.65	34.8
Lehman Corp	11⅛	13⅛	4.12	6.12	55.0
General American	9½	14⅝	5.19	10.31	108.6
Niagara Share	12⅜	17¼	4.38	9.25	74.8

*Five years, 1975 to 1979

Heinz H. Biel is a vice president of the NYSE firm of Janney Montgomery Scott

aller ones, *General American Inves-* s and *Niagara Share Corp.*

There were several reasons why I ve preference to the closed-end sts rather than suggesting the en-end mutuals. The latter are be- offered at net asset value, usually s a sizable "load," whereas closed- d funds generally sell at discounts m asset value, giving the investor a le more bang for his buck. Further- re, all open-end funds want to sell re shares and deter redemptions. erefore, they may be overly perfor- nce oriented and willing to take ks that may not be in the best in- est of the widow. Closed-end funds o want to do a good job, of course, t they're not under the same pres- es as the mutuals.

As this may seem a rather stodgy estment program, consider the lowing: a) we are dealing with a dow who cannot afford taking ks or being "churned"; b) many ajor investors, pension funds and e like, are so dissatisfied with the formance of their stock portfo- s, that they would be pleased just match, never mind surpass, the ndard & Poor's composite index 500 stocks. Hence we now have ndexing," geared to the S&P's 500. viously this is an admission of eat.

The first table on page 96 shows w the four investment trusts—all now over 50 years old—performed -à-vis the index.

These four investment trusts barely pt pace with the index in 1975 and 76, but in the past three years their sults were clearly superior.

The second table illustrates another rdstick, appreciation.

let these figures speak for them- ves. Indexing doesn't look so good comparison, does it?

All four stocks continue to sell at de discounts from net asset value, nging from nearly 20% for Tri-Con- ental to 9½% for Niagara Share. come dividends are a bit skimpy, ecially for Niagara Share and Gen- l American Investors, but high lds and good appreciation just n't go hand in hand. Furthermore, pital gains distributions are taxed at ower rate.

Those who followed this simple gram had fairly satisfactory results ring a difficult five-year period. ey could have done a great deal rse. Note that there were no custo- an, trustee or management fees to y, and only a one-time brokerage mmission. ■

Value Line looks at . . .

Major Stocks With P/E's *Under* 5 And Yields *Over* 7%

Plus the potential to double in price, we estimate, within 3 to 5 years.

Among 1700 major stocks under its continuing review, The Value Line Investment Survey finds . . .

- 222 stocks are selling at *less than 5 times* estimated current earnings... compared with past P/E ratios up to 20 times or *higher*.(Value Line (6/13/80).
- 108 of these low-P/E stocks also offer Appreciation Potentials in the next 3 to 5 years of *more than 150%* . . . based on Value Line's estimates of their earnings and P/E ratios in that future span. (22 offer long-term Appreciation Potentials of more than 250%).
- In addition, a significant minority of these "combination" stocks currently *yield from 7% to 10%*, based on our estimate of dividends in the 12 months ahead. (In many of these stocks, moreover, we look for sizable dividend increases—from 50% to 100%—in the next few years.)

But we urge you *not* to leap into stocks like these, good as they may sound, without also checking Value Line's current ratings for *Probable Price Performance* and—most importantly—*Safety*. This is easy to do:

UPDATED EVERY WEEK

Every week, Value Line's regular *Summary & Index* presents up-to-date ratings of EACH of 1700 stocks *relative* to all the others, as follows . . .

a) Rank for Probable Price Performance in the Next 12 Months—ranging from 1 (Highest) down to 5 (Lowest).
b) Rank for Investment Safety (from 1 down to 5).
c) Estimated Yield in the Next 12 Months.
d) Estimated Appreciation Potential in the Next 3 to 5 Years—showing the future "target" price range and percentage change from current price.
e) P/E ratio and current price, plus estimated annual earnings and dividends in current 12 months. Also latest quarterly results against a year ago.

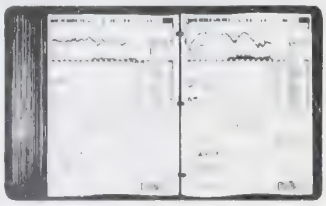
PLUS FULL-PAGE REPORTS

In addition, each of the 1700 stocks is the subject of a comprehensive new full-page *Rating & Report* at least once every three months—including 22 series of vital financial and operating statistics going back 15 years and estimated 3 to 5 years ahead. About 130 new full-page Reports like this are issued each week . . . 1700 every 13 weeks.

SPECIAL INVITATION

You are invited to receive the complete Value Line Investment Survey (with 30-day money-back guarantee) for the next 10 weeks for only $33—about HALF the regular rate—if no member of your household has had a Value Line subscription in the last two years.

You receive, as a bonus, Value Line's 2000 page *Investors Reference Service* incuding our latest full-page Ratings & Reports on each of 1700 stocks—fully indexed and looseleaf-bound for your quick and easy reference. . .and systematically updated by new full-page Reports in the weeks ahead. (It takes only 30 seconds to replace the old Reports with the new in your binder.) All this material is so organized that you can quickly find a continually updated report and current evaluation on almost any stock you may be interested in buying selling, or equally important, holding.



(These Pages Are Reduced From Actual 8½" x 11" size.)

And—as an *extra bonus*—you will also receive *Evaluating Common Stocks*, by Arnold Bernhard, Value Line's founder and research chief. This 96-page book explains how even inexperienced investors can apply thousands of hours of professional research to their own portfolios by focusing on only two unequivocal ratings, one for Timeliness (Performance in next 12 months), the other for Safety. This book is YOURS TO KEEP even if you return the other material under your money-back guarantee.

This subscription is tax-deductible if utilized to aid in the management of your investments. To accept this invitation—and to pinpoint the current list of low-P/E "combination" stocks referred to above—mail the coupon today.

The Value Line Investment Survey

Arnold Bernhard & Co., Inc. • 711 Third Avnue, • New York, N.Y. 10017

816D11

☐Begin my 10 week trial to The Value Line Investment Survey (limited once to any household every two years) and send me the two bonuses listed above. Check for $33 is enclosed. (Trial subscriptions must be accompanied by payment.)

SPECIAL EXTRA BONUS A famous-make pocket-size CREDIT CARD/CALCULATOR SUPER SLIM LCD CALCULATOR (with full memory) given to you when you order The Value Line Investment Survey for one year—and send payment now.

☐1 year for $330. My payment is enclosed—send me the CALCULATOR as my extra special bonus. (There are no restrictions with this annual subscription.)

☐Enter my subscription now. Bill me for $330. (Does not include the calculator.)

Subscription tax-deductible and non-assignable. Foreign rates on request. (NY residents add sales tax.)

SIGNATURE

NAME (please print)

ADDRESS APT. NO

CITY STATE ZIP

GUARANTEE: If dissatisfied for any reason, I may return material within 30 days for full refund of the fee I have paid

The two parties will spend the summer trying to outpromise each other. Until it's over, the market may take a vacation.

CONVENTIONAL WISDOM

By Ann C. Brown

BY THE END of August, it's a good bet that whoever urged Mr. Carter and company to choose the Big Apple for the reelection jamboree will find himself or herself the only casualty of the President's 1976 campaign declaration of war on the size of the federal government. As of this writing, the Democratic delegates are just beginning to trickle into town but already there are signs of discontent.

Whatever divisions exist between the Kennedy/Carter forces will be magnified many times over due to the fact that the smoke-filled arena is only a videotape's throw away from the three major television networks. Now that the crews aren't busy covering Iran or the Moscow Olympics, there's plenty of talent on hand to report every divisive detail—no matter how small or irrelevant. After the Republican unity love-in, the broadcasters are starved for some "action" to keep the sets tuned in and the advertisers turned on.

New York is one of the few cities where the minorities are the majority. Hardly a day goes by here, even in normal times, when someone isn't demonstrating for or against something. With the lights on and the cameras beaming to the nation and the world, the local fomenters and dissenters are going to do everything possible to grab center stage. I look for protests from the unemployed, the overtaxed, the gays, the ERA-ers, the pro- and no-nukes, the farmers, organized labor and every ethnic and religious group with a gripe against the government, which means every ethnic and religious group.

Until all the ballyhoo and convention balloting is over, the summer rally in the stock market may decide to take a vacation. By the middle of the month, some very disappointing second-quarter earnings will be hitting the presses as the populace is hitting the bricks (and, hopefully, not one another). Besides, the recent plunge in interest rates should be leveling off as the monetary hotshots who initially set the market on fire regain their cool. However, by the time the frost is on the pumpkin, stock prices should again be on the rise.

Come this autumn we should be well into the recession and the anti-recessionary measures undertaken earlier in the year should start to produce results. Borrowing will be cheaper for both business and consumers, and credit controls will be all but forgotten. Unemployment, although still grim, probably will be climbing at a much slower pace. The air will crackle with talk of tax cuts, with each political party playing "who can promise the deepest slashes" in its bid for November votes.

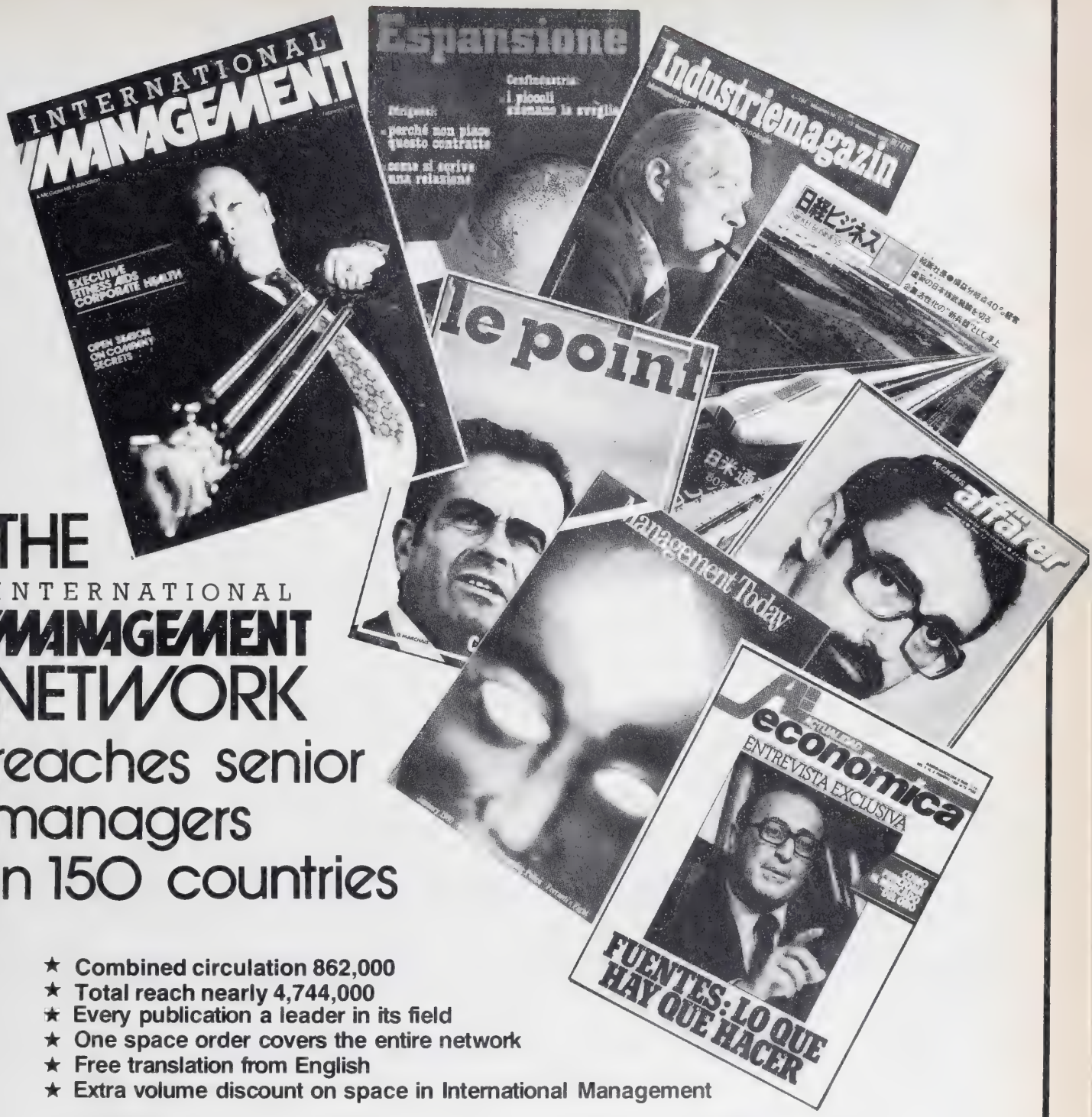
And just suppose OPEC decides not to hike oil prices the next time around for fear that any increase might knock the wheels off the cartel as America exports its slow-growth/no-growth economy to other key industrial countries. Should this happen and should we harvest bumper crops, the inflation rate may decline even more than is currently anticipated—if only temporarily. But temporary or not, look how the British stock market soared when *their* inflation rate started coming down. Today, I'd rather a buyer of shares than a seller be—or a guesser of lows.

It was back in 1978 when I first recommended *Amerada Hess* (57). Before the recent announcement of a 2-for-1 split the stock had doubled. After doubling in two years, how far can the stock still go? Possibly another double if the latest earnings projections are remotely right. N energy buddies, who have help make my clients a lot of money th year, have recently bumped th earlier estimated earnings for Am ada Hess from $11.50 (split-adjust $5.75) this year to $13.50 ($6.7 and from $12 ($6) next year around $14.50 ($7.25). Amerada He has excellent refining operations b currently produces only about or fourth of the crude oil it process The big kicker here is that the co pany has large new acreage in t Overthrust Belt in Wyoming, t Beaufort Sea in Alaska and t Georges Bank off Massachusetts promising exploration areas all. Be of all, the present value of prov reserves is $298 ($149 after the spl a share if you include the somewh risky foreign properties.

Woods Petroleum (25), recently sp 2-for-1, was a 1979 recommend at (split-adjusted). The company, if y recall, is a relatively small indepe dent oil and gas exploration out operating principally in the midse tion of the country and around t Rocky Mountains. Earlier this ye Woods Petroleum sold off the Ha zog Draw field to Gulf Oil and us part of the proceeds to eliminate of the company debt. Excluding t 66-cents-per-share nonrecurring ga from the Gulf sale, the company estimated to earn $1.25 from co tinuing operations in 1980, *vs.* $1. last year. Woods Petroleum is expe ed to grow 20% to 30% per year f the next several years, which seer possible particularly since the co pany has over 40 new gas wells wa ing to be hooked up to pipelines.

So much for a couple of stock su cess stories. One of my unsuccessf picks was this year's selection of *To Co.* (14, down from the recommend price of 19). Nothing wrong with t company that a couple of normal wi ters and lower interest rates wo cure. Poor Toro has been high-finan ing a large inventory of snowblowe automatic snow shovels and the li since the fluffy white stuff failed fall. Then it was the Administratior turn to trim profits by slamming consumer credit controls just in tin for the summer lawn-care selling se son. While earnings this fiscal ye just ended may drop to around $1. per share from $3.12 in 1979, t grass is looking greener on the oth side of 1981. With July fiscal 19 estimates in the neighborhood $1.50 per share, fiscal 1982 cou show $3.50. ■

Ann C. Brown is executive vice president of the New York investment firm of Melhado, Flynn & Associates



THE INTERNATIONAL MANAGEMENT NETWORK reaches senior managers in 150 countries

- ★ **Combined circulation 862,000**
- ★ **Total reach nearly 4,744,000**
- ★ **Every publication a leader in its field**
- ★ **One space order covers the entire network**
- ★ **Free translation from English**
- ★ **Extra volume discount on space in International Management**

Publication	Area	Language	Circulation
International Management	Europe	English	65,000 monthly
	Latin America	Spanish	35,000 monthly
	Pacific	English	20,000 monthly
	Middle East	Arabic	20,000 monthly
	Africa	English	15,000 monthly
Le Point	France	French	303,000 weekly
Nikkei Business	Japan	Japanese	153,000 alternate weeks
Management Today	United Kingdom	English	81,000 monthly
Industriemagazin	German Fed. Rep.	German	61,000 monthly
Veckans Affärer	Sweden	Swedish	45,000 weekly
Espansione	Italy	Italian	34,000 monthly
Actualidad Economica	Spain	Spanish	23,000 monthly

International Management
McGraw-Hill Building 1221 Avenue of the Americas NEW YORK NY10020
McGraw-Hill House Maidenhead, Berkshire, England SL6 2QL

The leeway for "reflating" ourselves out of the recession has been drastically curtailed.

IT WILL BE A ROUGH ONE

By Ashby Bladen

DOING an economic forecast by using an econometric model, instead of trying to be sure that you thoroughly understand the dynamics of the situation, is a dangerous business. Economists frequently do this and just as frequently make foolish forecasts. An econometric model is simply a series of algebraic equations that show how everything has historically been correlated with everything else. It works fine as long as nothing important changes, but in the real world fundamental relationships do change, and unless you understand the basics that caused the change, your forecast is likely to go sailing off into the wild blue yonder.

This helps to explain why so many economists underestimated the strength of inflation last year and predicted a recession much too early. Before 1976, Americans saved on average 6½% of their incomes. So the econometric models assumed that they would always save around 6½%. Whenever the rate fell much below that figure the models in effect forced you to forecast a restoration of the savings rate by a reduction in consumer spending, and, therefore, a recession. But people changed and the models didn't. After 1976 the personal savings rate fell steadily further below 6½%. Our less perceptive economists kept telling us that a mild recession was imminent.

Before 1976 the ordinary American apparently thought that inflation simply made the future outlook more dangerous and uncertain, so there was a tendency for the savings rate actually to rise as inflation worsened. But since then he and she have concluded that a rising, and now inflation-proof, level of Social Security benefits makes saving for your old age less necessary, foolish even. So Americans went off on a borrowing and spending spree of epic proportions. During the last four years they have borrowed half a trillion dollars—or about one-fourth of one year's total personal income—through consumer credit and mortgages on houses alone. The obvious result was an inflationary boom rather than the recession forecast by so many of the econometric models.

The popular inflation hedge that people were most eager to buy and borrow against was houses. The increase in mortgage debt on houses over the last four years was $375 billion. In my judgment, the borrowing on and bidding up of house prices have gone much too far, and have left them vulnerable to a crash. In the Oct. 15, 1979 issue I wrote that "the decline in house prices and the recession will occur when people become more worried about the size of their debts than they are about the damage that inflation is doing to the real value of their incomes and savings."

That point may have arrived. Since Iran, several other severe shocks have hit us. The political attempt to insulate us from the world price of petroleum failed and precipitated the disaster in the automobile industry. The Russian invasion of Afghanistan reminded us that the world is a dangerous and unstable place, and apparently convinced almost everybody in the country except the President that we badly need to rearm. The fear of a rearmament boom superimposed upon the personal spending boom in turn produced an unprecedented level of interest rates and a collapse both of housing starts and bond prices. Finally, just when it was becoming clear that consumers' confidence had already begun to collapse, the Fed knocked the personal spending bo in the head with spectacularly r timed credit controls.

We are in a deep crisis. During last several years the American pe have not been saving and investin the tools that make human eff more efficient and productive. have fended off a severe drop in national standard of living—that declining productivity would ot wise have caused—only by borrow heavily both at home and abroad. by now foreign confidence in creditworthiness of the U.S. has b eroded so severely that we can m tain the international value of the lar only by paying relatively high terest rates on our foreign borrowi Thus the leeway for "reflating" selves out of recession has been d tically curtailed.

The one thing that could have ea the recessionary blow would h been rapid rearmament in respons Afghanistan. That option is still o to us, but not, apparently, until a r Administration is installed next y

The outlook for economic acti and our standard of living during months ahead is grim. If it is consolation—and I suppose it is— very grimness of the economic look does bode well for a decline the inflation rate.

A current example of the Fed Reserve's inability to do much ab the recession as well as of its appar misunderstanding is the much-pu cized shortfall of the monetary ag gates below their announced targ The money supply isn't growing fast as the Fed said it would mak grow. Congress will shortly be manding to know why not. This is old error, and the politicians are m ing it again: You can make cre available by injecting reserves i the banking system but you ca make people borrow the availa credit. In short, the Fed doesn't c trol the money supply; it simply c trols bank reserves. If people no lon want to borrow, or have become scared to borrow, they won't do so, matter how loaded the banks are w available money. And that is exac what appears to be happening n The vast expansion of consumer cr it, fueled by a change in people's a tudes toward inflation and made p sible by heavy borrowing on homes over. Now comes the recession. It going to be a severe one. ■

Ashby Bladen is senior vice president-investments for the Guardian Life Insurance Co. of America, and author of How to Cope with the Developing Financial Crisis.

Dr. Srully Blotnick is on vacation; his colu will return in the next issue

companies covered in news stories and by the columnists in this issue.

brams, Inc ... 23
(Eire) ... 12
Banks (Eire) ... 12
ess ... 98
xpress ... 38
... 92
... 74
ar ... 62
Ltd ... 16
chfield ... 32, 35
erica ... 38
omb ... 12
n ... 73
de ... 69
... 82
ways ... 25
... 72
ley Hale ... 38
... 85
... 16
ng ... 46
lectric Illuminating ... 67
ks ... 23
ssociated University Press ... 23
Gas System Service ... 16
d Edison ... 64
Power (Mich.) ... 67
d ... 38
son ... 67
... 35
... 57
... 86
y Productions ... 74
& Co ... 24, 46
& Co ... 34
erback ... 23
version Devices ... 35
... 32
ank of Boston ... 57
icKesson ... 37
erican Investors ... 97
... 12
iller, Inc ... 23
ific ... 69
hisky Co Ltd (U.K.) ... 93
... 17
Gulf Oil ... 32
Gulf & Western ... 17
Hall & Bramley Ltd (U.K.) ... 93
Hallmark Cards ... 63
Harper & Row ... 24
Hastings House ... 23
Hertz ... 86
Hilton Hotels ... 73
Holiday Inns ... 73
IMED ... 12
ITT ... 69
Investors Diversified Services ... 60
K mart ... 49
Alfred A. Knopf ... 24
Lehman ... 96
Levi Strauss & Co ... 48
Lieberman Enterprises ... 74
Little, Brown & Co ... 23
Long Island Lighting ... 67
Lundie & Co Ltd (U.K.) ... 93
McDonald's ... 69
McGraw-Hill ... 38
MCO Holdings ... 37
MPG ... 86
Mapco ... 17
Marshall Field ... 38
Merrill Lynch ... 90
Mesa Petroleum ... 72
Midland Bank Ltd (U.K.) ... 38
3M ... 36
Mobil ... 32
Monsanto ... 69
Montgomery Ward ... 49
Stanley P. Morrison (U.K.) ... 93
National Bank of Abu Dhabi (United Arab Emirates) ... 87
L.B. Nelson ... 42
N.Y. Post ... 34
N.Y. Times ... 34
Niagara Share ... 97
Northeast Utilities ... 64
Northwest Inds ... 49
John Nuveen & Co ... 90
Oak Inds ... 17
Oh Dawn Inc ... 87
Oneita Knitting Mills ... 48
Oxford University Press ... 24
Pacific Bell Telephone ... 92
Pacific Gas & Electric ... 69
Penn Central ... 73, 82
J.C. Penney ... 49
Philadelphia Electric ... 64
Piper Aircraft ... 61
Ponderosa Systems ... 73
Public Service Electric & Gas (N.J.) ... 67
RCA ... 82
Random House ... 24
Richardson-Merrell ... 60
Peter J. Russell & Co Ltd (U.K.) ... 93
San Diego Gas & Electric ... 67
Savin ... 69
Charles Scribner's Sons ... 24
Sears, Roebuck ... 49
Shenandoah Oil ... 72
A.O. Smith ... 13
Smith Barney ... 43
Southern California Edison ... 92
Southland Royalty ... 72
Springs Mills ... 48
Sterling Equities ... 46
Stifel, Nicolaus & Co ... 93
W.&S. Strong Ltd (U.K.) ... 93
James Sword & Son Ltd (U.K.) ... 93
Technology Equity ... 55
Toro ... 98
Trans World ... 8
Transamerica ... 86
Tribune ... 34
Tri-Continental ... 96
Twentieth Century-Fox Film ... 85
UNC Resources ... 35
U.S. Tobacco ... 74
Van Kampen Filkin & Merritt ... 90
Viking Press ... 24
Wang Labs ... 17
Weidenfeld & Nicolson ... 24
Wells Fargo ... 38
Weyerhaeuser ... 69
Williams Hudson (U.K.) ... 57
Wisconsin Electric Power ... 67
Wood Mackenzie & Co (U.K.) ... 13
Woods Petroleum ... 98

Do you know anybody who is somebody in business who does not read Forbes Magazine?

Forbes: Capitalist Tool®

REAL ESTATE

Oceanfront Condominiums

HILTON HEAD ISLAND

$68,900/$6,900 down

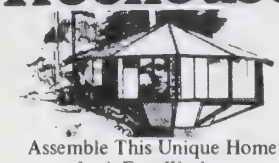
Fully furnished oceanfront condominiums on Hilton Head Island are becoming scarce. Inquire today.

Call 803-785-8666.

Hilton Head Beach and Tennis Resort

360 Payments of $710 21/APR 14%
APR subject to change
This offer not valid in states where restricted by law

Treehouse



Assemble This Unique Home In A Few Weeks

For Price & Construction Package Information Send $4.00 To:

Topsider Homes

P.O. Box 849 F
Yadkinville, N.C. 27055
919-679-8846

BUSINESS CONNECTIONS

ARAB BUSINESSMEN HAVE MONEY TO BUY & INVEST

Top Finders Fees Paid
Finders Inquiry Invited
Write Box A197 Forbes
60 Fifth Avenue
New York, NY 10011

COURSES/SEMINARS TRAINING PROGRAMS

TOTAL MIND POWER
(HOW TO USE THE OTHER 90% OF YOUR MIND)
free booklet
TOTAL MIND POWER INSTITUTE
#4, LARKSPUR, CA 94939

FORBES BINDERS

SLIP CASES OR BINDERS
for a year of **Forbes** magazine.
In red and gold leatherette.
Slipcases: $4.95; three for $14
Binders: $6.50; three for $18.75
Send check with your name and address to:
Jesse Jones Box Corp.
Dept. FB, P.O. Box 5120
Philadelphia, PA 19141

TAHITI

Twin Tahitian houses, a sea-front home, a hilltop home, 35 miles from Papeete, on Tahiti, Iti . . . Paradise setting, 7½ + acres, formerly Zane Grey's fishing camp, available for immediate occupancy. Offered at $350,000 U.S., fully equipped.

Box A198 Forbes
60 Fifth Avenue
New York, NY 10011

FLORIDA LAND

On St. Johns River: 30,000 acres undeveloped land, 18 miles east of Orlando, between State Roads 46 & 50. Contact owner:

NORRIS COMPANY
P.O. Box 1088, Ocala, Fla. 32670
(904) 622-7151

HEALTH CARE

RESIDENCE FOR CHRONIC PSYCHIATRIC PATIENTS

A new residential program for recently hospitalized long-term psychiatric patients will start in Philadelphia this summer. Situated in a handsome fieldstone home, this specialized program promoting each resident's independence and skills, will be under the guidance of Friends Hospital, America's first private nonprofit psychiatric hospital, founded by Quakers in 1813. Thirteen patient limit. $80 per diem. For more details write **Diane Attenborough, R.N., Greystone House, Friends Hospital, 4745 E. Roosevelt Boulevard, Philadelphia, PA 19124. (Phone 215-831-4600.)**

"The Prostate Gland in Health and Disease"

Informative and interesting cassette tapes coordinated with four-color anatomical drawings are available at nominal cost. For further information, send self-addressed envelope to:

The Layman's Medical Institute
P.O. Box 61255
New Orleans, LA 70161

REAL ESTATE

COLORADO ROCKIES

2 FOOTHILL FRONT RANGE RANCHES: ★4,250 ac 14 miles west Loveland, Colorado, 60 miles to Denver. Adjoins Nat'l Forest. Beautif tree-covered mtn pasture with green parks. 6,000 to 8,000 ft elevation. A weather road. Abundant deer & elk. This ranch's unique quality is that is suitable for recreation-type secondary home or it would suit for prima home site because of proximity to front range activity. ★1920 ac adjoin t above ranch. Same qualities, smaller acreage.

COLORADO WESTERN SLOPE: ★9,500 ac bet. Vail & Stmbt Spgs, 1 miles to Denver, has govt & pvt leases. Beautiful mountain tree-cover land with streams & lakes for fishing; has deer & elk. Summer apprx 17 yrlings. Irrig. apprx 500 ac. Well-located for summer & winter recreatio ★1,120 ac 1 hr from Stmbt Spgs, similar to above. Beautiful country wi good deer & elk hunting, good fishing. Adjoins Nat'l Forest. Good irri hayland. ★Famous Yampa Valley 40 min. from Stmbt Spgs, 1030 deed ac + 30-head forest permit; adjoins Nat'l Forest. Fishing stream, elk deer hunting. Beautiful tree-covered country. ★1170 deeded ac beautif valley, 1 mile of good fishing river, deer hunting; 4-bedrm modern l home, good barns & outbuildings. ★1260 ac just 9 miles from Mt. Wern ski area. Development potential.

EASTERN COLORADO: ★1880 ac S.E. of Denver 30 miles, some tr cover—nice impvts. Run 125 cows or make a horse ranch. ★Horse Ran —10 miles W. of Loveland, Colorado. 245 ac of which 45 ac are irrig. L & Moss Rock Home—Extensive horse impvts.

AND THAT'S NOT ALL! For information on these & other properti contact us:

ORR LAND COMPANY
4455 Harlan St., Wheat Ridge, CO 80033
(303) 424-5010

Chapel Hill

Award Winning Energy Efficient Homes. $55,000 to $75,000.
Call or write for literature.
Fitch Creations, Inc.
P.O. Box 111 Chapel Hill, N.C. 27514
800-334-5475
In N.C. 919-942-5107

FREE CATALOG

Big . . . Free FALL 1980 Ca describes and pictures more than farms, ranches, acreages, recreat properties, businesses, town and c try homes in 43 states coast to c Please specify type and location ferred.

UNITED FARM AGENCY
612-Y W. 47th Street
Kansas City, MO. 64112

HOW TO ADVERTISE IN FORBES CLASSIFIED

REGULAR CLASSIFIED LISTINGS: All listings are accepted at the discretion of the Publisher. Line rate is $22.30. Minimum size ad is one inch (14 agate lines) costing $312.20. FORBES will typeset without charge.

DISPLAY CLASSIFIED ADVERTISING: Line rate is $21.90. Minimum size for display of two inches (28 agate lines) costing $613.20. Must be submitted as film negative or camera-ready mechanical to size. For specific requirements send for order form.

Box numbers provided on request. There is no charge for mailing service on blind ads.

FORBES CLASSIFIED is published in the first issue of each month. Advertising closing date is one month preceding date of issue.

Frequency discounts available. Payment must accompany order unless from accredited agency.

FOR ADDITIONAL INFORMATION WRITE OR CALL:

SARAH MADISON
FORBES CLASSIFIED
60 FIFTH AVENUE/NEW YORK, NY 10011
(212) 620-2371

XECUTIVE FINANCIAL SERVICES

'OU NEED FINANCING?
't a new business? For an ex-
usiness? For a mortgage? Our
ial Sources Directory tells you
Financial Institutions are mak-
ns for New Ventures, Acquisi-
Mergers, Franchises, Equip-
Accounts Receivable, First &
Mortgages, Tax Exempt Fi-
, Etc. The Directory is avail-
$35.00 per copy — postpaid.
er send check (or for fast de-
— money order) to:
LER PUBLICATIONS, INC.
178A/23573 Prospect Avenue
Farmington, MI 48024

CAPITAL TO INVEST

EATIVE FINANCING
al guarantees
able letters of credit
o open escrows
vs-Takeout-Permanent loans
ate or venture capital
ROKERS PROTECTED
END PACKAGES TO:
BANCOR LTD.
San Nicolas Dr. Suite 206
ewport Beach, CA 92660
714/640-1633

FUNDS AVAILABLE
FOR
IPENSATING BALANCES
TIME DEPOSITS
NTAR CORPORATION
70 LEXINGTON AVE.
EW YORK, N.Y. 10017
(212) 689-8104

FACTS ABOUT BES SUBSCRIBERS

tal paid circulation:
0,000

1,000 are in top
nagement positions

4,000 serve on their
mpanies' board of
ectors

3,000 serve on
ards of one or more
mpanies

5,000 own securities.
erage value:
73,000

erage household
come: $93,000

erage net worth:
24,000

BUSINESS OPPORTUNITIES

(Advertisement)

$105,000 Cash Paid Oil Lease Winner in U.S Gov't. Lottery!

Winners Collect Millions$$

New York, N.Y. (Special) Robert F. Bennett of Rhode Island wrote to us for free information and entry cards on the U.S. Gov't. Lottery for Oil & Gas Lease Rights, and the third time he entered he won! Collected $105,000 cash for rights to his parcel. PLUS he also will collect royalty payments for all oil pumped from the land. You too could be a big winner in this little known U.S. Lottery. Millions of dollars have been paid for leases—hundreds of winners every month. Any U.S. citizen age 21 or over can enter for a tax-deductible $10 government fee. For FREE REPORT, Official Entry Cards, Parcels to be drawn, write to: Energy Group of America, 3308 Empire State Bldg., Department FOR080, New York, NY 10001.

FREE MONEY REPORT

5,000 unique money sources for new or existing businesses at very competitive rates. Lucrative, prestigious business opportunities also available. Work your own hours. No experience necessary. Proven success formula. National company will assist every way possible. Write: **DFC**, Dept. 43-B-8, 1145 Reservoir Avenue, Cranston, Rhode Island 02920.

1-800-327-6970

Facts About U.S. Oil/Gas Lease Program:

- FRC special offer of **$10.** filing per family to introduce you to this program
- **$1,200,000** awarded to FRC clients in past 8 months
- **Oil prices doubled** since 1977
- **100% Tax Deductible**

Complimentary Brochure

FRC, 6 Beacon St., Boston, MA 02108

AVIATION

SAVE $100,000 ON NEW CESSNA CITATION I, SP.

To be delivered by factory in September, 1980.
Call Homer Lane for details.
(602) 257-1234

MISCELLANEOUS FOR SALE

GENUINE GEMSTONES AND JEWELRY

Free wholesale catalog.
Satisfaction guaranteed!
Member Jewelers Board of Trade,
Chamber of Commerce
HOUSE OF ONYX
No. 1 MAIN ST.
GREENVILLE, KENTUCKY 42345
TOLL FREE SERVICE 1-800-626-8352

BUSINESS OPPORTUNITIES

Carvel®
Since 1934

INVENTORS OF THE PATENTED CARVEL ICE CREAM MACHINE AND THE ORIGINATOR OF THE ICE CREAM LICENSING INDUSTRY

SEEKS QUALIFIED INVESTORS FOR AREA LICENSES IN MAJOR U.S. & FOREIGN MARKETS.

MINIMUM $1,000,000 INVESTMENT

PRINCIPALS ONLY

Reply to:
CARVEL CORPORATION
4151 State Road 84 - Dept. E
Fort Lauderdale, Fl. 33314
or call toll free
800-327-2754

WIN BIG OIL MONEY

Plus Tax Benefits

The U.S. Government sponsors a little known oil and gas lease drawing. If you are 21 and a citizen you can compete for a fortune in oil. A $25 (tax deductible) filing fee could bring you $100,000 immediately plus possible payments. For free information Call Toll-Free 1-800-525-2541 Ext 8 in Colorado Call Collect 1-447-1399 Ext 8. Or Write

F. Milligan, inc.
1942 20th St. Drawer 3408FM
Boulder, CO 80307

HOME IMPORT MAIL ORDER BUSINESS

Big earnings in profitable spare/full time project. Deal direct with overseas suppliers. Newest products at fraction U.S. cost. Up to 500% profit. No product investment. Famous world trader starts you.
Write: **Mellinger**, Dept. C1598
Woodland Hills, CA 91367

Petrogram Services offers a new Concept in filing for oil & gas leases. $15 per filing period brings you instructions, materials & geological recommendations. For free brochure contact: **Petrogram Services, 2300 Candelaria, Albuquerque, NM 87107; (800) 528-6050 Ext. 1980.**

EXECUTIVE SERVICES

STRESS MANAGEMENT

Stress Management Seminars for Managers by a University of Michigan Ph.D. Relaxing autumn weekends in beautiful Lake Placid, New York. Send $1 for complete information to **Dr. Charles F. Spinazola**, P.O. Box 7285, Ann Arbor, MI 48107. (313) 483-7955.

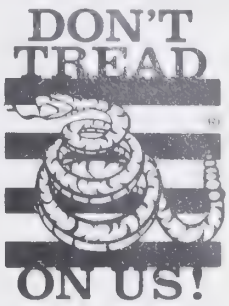
CLUB SPECIALIST

- **CLUB ORGANIZER**
- **DEVELOPER**
- **CONSULTANT**

All phases of City/Country Clubs
COLIN D.B. TUTT
213 S. Jefferson St. (Suite 1007)
Roanoke, VI 24011 / (703) 342-1157

MERCHANDISE FOR SALE

LET *THIS* WORD GO FORTH!



Never more relevant than now!

Bold, New, Colorful Designs! Top quality Tee Shirts — Adult sizes: S M L XL, $6.50 ea. 3 for $16.50. Vinyl Bumperstickers. $1.75 ea. $16 dozen. Buttons, $1 ea. $9 dozen. All items postpaid. CAL residents add 6% tax. American Express, Visa, Mastercard — $10 min. Give card number and expiration date. Send payment to:

Stores Trading Group, Inc.
Dept. (A1) P.O. Box 788
Lawndale, CA 90260

EXECUTIVE GIFTS

AUTHORIZED **TRS-80®** DEALER A301
COMPUTER SPECIALISTS

Up to 15% Discount on TRS-80's

26 1051 4K LEVEL I	$424 00
26-1056 16K LEVEL II.....	$700 00
26 4002 64K 1 DRIVE	$3499 00

1-800-841-0860 TOLL FREE
MICRO MANAGEMENT SYSTEMS, INC.
Downtown Plaza Shopping Center
115 C Second Av., S W
Cairo, Georgia 31728
(912) 377 7120 Ga Phone No

TRS-80 COMPUTERS

As a Radio Shack® Authorized Sales Center owned & operated by Pan American Electronics, Inc., we can sell them for less. *No taxes* collected on out-of state shipments. *We pay* shipping & insurance

TOLL FREE 800/531-7466
Texas & Main No. 512/581-2765
1117 Conway, Mission, Texas 78572

EXECUTIVE POSITION AVAILABLE

PRESIDENT

LEWIS & CLARK COLLEGE

Selective, coeducational, 113-yr-old Presbyterian related liberal arts college. Bachelors, masters, JD degrees; combined enrollment 3,000 (46 states, 30 nations). CEO reports to Board of Trustees. Effective 7/1/81. Send nominations or application letters w/resumes & references by 11/1/80 to:
R.L. Ridgley, Chairman, Presidential Selection Committee, **Lewis & Clark College**, Portland, OR 97219. EOE/AAE

It is that good hard second look—taken not just for one's own sake but for everyone else's too—that very often reveals that the "impossible" task is quite possible after all.
MAXWELL MALTZ

All problems cannot be solved, but some problems are diluted by time.
ROBERT HALF

Those who try to do something and fail are infinitely better than those who try to do nothing and succeed.
RICHARD BIRD

When there is no peril in the fight, there is no glory in the triumph.
PIERRE CORNEILLE

A Text . . .

Better is the end of a thing than the beginning thereof: and the patient in spirit is better than the proud in spirit.
ECCLESIASTES 7:8

Sent in by Edgar Isaacs II, Lincoln, Del. What's your favorite text? The Forbes Scrapbook of Thoughts on the Business of Life is presented to senders of texts used

For us, there is only the trying.
T.S. ELIOT

Our great leaders, right or wrong, were usually stubborn and each was convinced that his was the only way. Many of them deliberately or recklessly staked their lives on it and in so doing made such a big splash that some of the radiating waves have continued on and on.
SAMUEL WEIR

Thoughts
on the Business of Life

History has demonstrated that the most notable winners usually encountered heartbreaking obstacles before they triumphed. They finally won because they refused to become discouraged by their defeats. Disappointments acted as a challenge to their manhood. Don't let difficulties discourage you!
B.C. FORBES

Nothing splendid has ever been achieved except by those who dared believe that something inside them was superior to circumstances.
BRUCE BARTON

The rewards in business go to the man who does something with an idea.
WILLIAM BENTON

It doesn't matter how many times you are knocked down but how you spring up again that really counts.
OWEN OBERG

The greatest obstacle to being heroic is the doubt whether one may not be going to prove one's self a fool; the truest heroism is to resist the doubt, and the profoundest wisdom to know when it ought to be resisted, and when to be obeyed.
NATHANIEL HAWTHORNE

More than 3,000 "Thoughts," indexed by author and subject, are available in a 574-page book at $11.95. Send check and order to: Forbes Inc., 60 Fifth Ave., New York, N.Y. 10011. Add appropriate sales tax on New York State orders.

Have no fear of failure. Just think of it as one of the many steps in the business of getting ahead in life.
JOHN J. ROWLANDS

The road to growth, authentici and empathy is not the road to happiness. It is a path full of conflict, pain and even suffering. But to eliminate these from life would be to deny the fullness and richness that life offers.
ARTHUR DOBRIN

Nothing comes easy that is done well.
HARRY F. BANKS

The biggest human temptation is not to ambition too much, but to settle for too little.
THOMAS MERTON

There's no failure except in no longer trying.
ELBERT HUBBARD

The block of granite which was an obstacle in the pathway of the weak becomes a stepping-stone in the pathway of the strong.
THOMAS CARLYLE

Genius begins great works; labor alone finishes them.
JOSEPH JOUBERT

Ships, like men, do poorly when the wind is directly behind, pushing them sloppily on their way. . . . What is needed is a wind slightly opposed to the ship, for then tension can be maintained and juices can flow and ideas germinate, for ships, like men, respond to challenge.
JAMES MICHENER

Don't expect a laurel wreath without a few thorns.
ARNOLD GLASOW

SENTING THE FIRST NEW JAGUAR SEDAN IN A DECADE

HE SERIES III SEDAN.
MPLY...
HE BEST JAGUAR EVER BUILT.

pass the very high ards of handling, nse and luxury set evious Jaguars is a able challenge. In ew Series III sedan, hallenge has been nd mastered.

Series III is, very , the best Jaguar ever built.

begin with its en- t is our famous 4.2 litre, double ead-cam Six with the incredible nse of a computerized Bosch/ electronic fuel-injection system. ed with a thoroughly dependable onic ignition and our automatic tart enrichment fuel-injection sys- he car is uncommonly reliable in g up, even when left out in cold er. And every Jaguar engine is dually bench-tested, then road- too, before it is certified accept- or shipment.

perhaps the ultimate test of ess in any luxury car is the way it s. And nothing moves, handles or nds like a Jaguar Series III. The ng is smooth and precise, thanks to a power rack and pinion system. Fully independent suspension on all four wheels gives you a constant sense of control, regardless of the road surface. And four-wheel power disc brakes stop the car with silken authority.

In refining the exterior styling of our classic XJ sedan, we studied the car long and thoughtfully. Then we added a new, sleeker roofline that gives the car more glass, better visibility and more headroom for rear passengers. There is a new grille, new and more subtly integrated bumpers, a new taillight grouping and other refinements of styling throughout the car.

Inside the Series III you will find many new luxuries as standard equipment. As you expect in a Jaguar, superb leathers, rare burled walnut, deep carpeting and an awesome silence in motion are all built into the car. And now there is a new cassette plus stereophonic, four-speaker AM/FM radio with signal-seeking tuner. There is, too, a hidden antenna that can be set to rise automatically after the engine has started, and to lower itself when you turn off the engine. Automatic air conditioning and cruise control are standard too, as are radial-ply tires and driver-operated power side-view mirrors.

The Series III is undoubtedly the best Jaguar sedan ever built. Come, drive this uncommon machine and see for yourself. For the name of the dealer nearest you, call these numbers toll-free: (800) 447-4700, or, in Illinois, (800) 322-4400.

© Jaguar Rover Triumph Inc. Leonia, N.J. 07605

JAGUAR

Wolfschmidt Genuine Vodka: The spirit of the Czar.

Life has changed since the days c
the Czar. Yet Wolfschmidt Genuin
Vodka is still made here to the sa
supreme standards which elevate
it to special appointment to his
Majesty the Czar and the Imperial
Romanov Court.

Wolfschmidt Genuine Vodka.
The spirit of the Czar lives on.

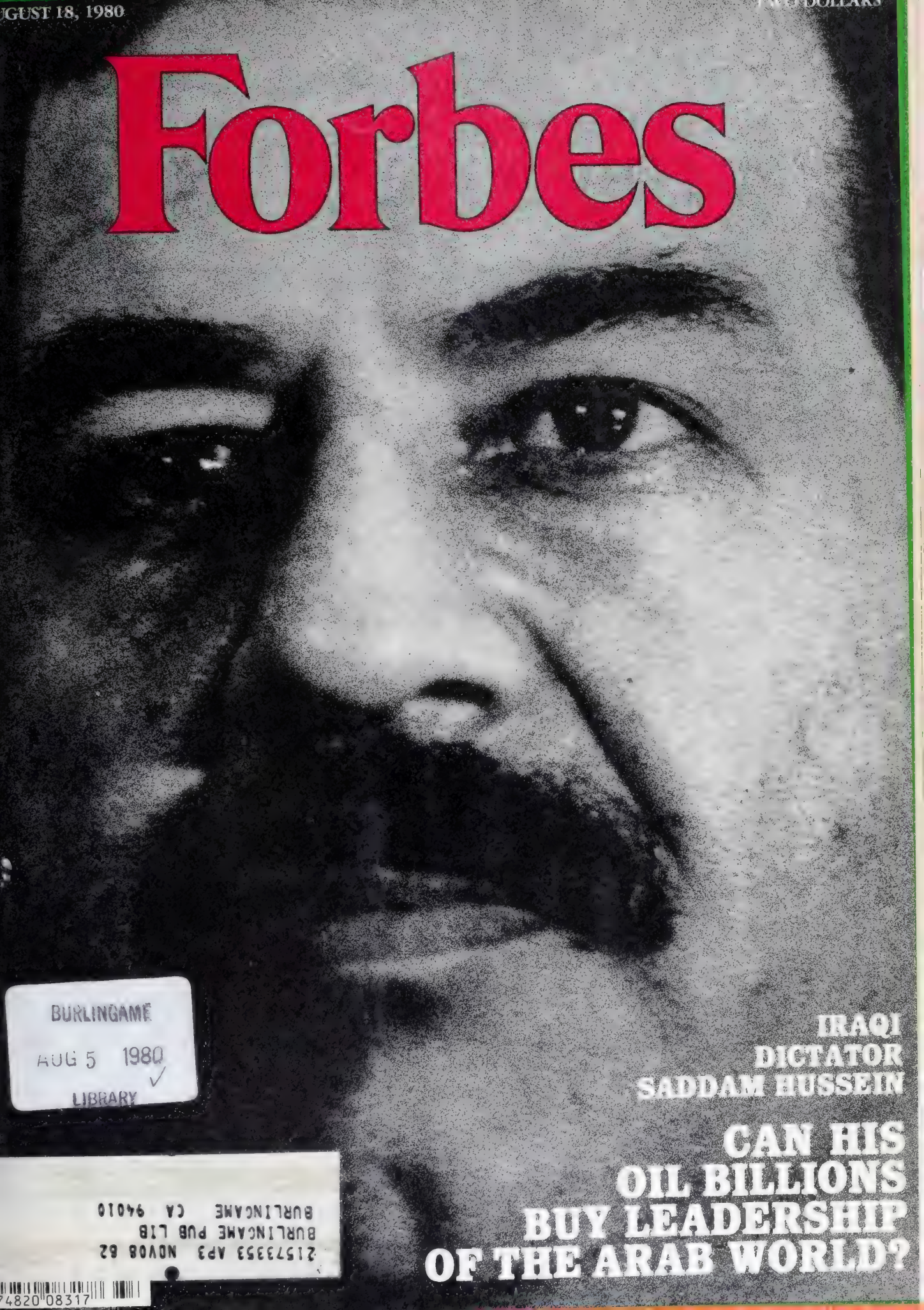
Wolfschmidt Genuine Vodka

Product of U.S.A. Distilled from grain • Available in 80 and 100 proof • Wolfschmidt, Relay, Md.

UGUST 18, 1980

$1.50 DOLLARS

Forbes



BURLINGAME
AUG 5 1980
LIBRARY

IRAQI DICTATOR SADDAM HUSSEIN

CAN HIS OIL BILLIONS BUY LEADERSHIP OF THE ARAB WORLD?

21573353 AP3 NOV08 82
BURLINGAME PUB LIB
BURLINGAME CA 94010

74820 08317

On the way up the work may not get easier,
but the rewards get better.
Johnnie Walker
Black Label Scotch
YEARS 12 OLD
12 YEAR OLD BLENDED SCOTCH WHISKY, 86.8 PROOF. BOTTLED IN SCOTLAND. IMPORTED BY SOMERSET IMPORTERS, LTD., N.Y.

THE PHONE THAT LETS YOU CUT THE CORD.

Since its invention, telephone has ured its reputation one of mankind's st prized technological marvels.

The telephone cord, on the other hand, been anything but marvelous.

All these years it's kept your phone n going places you go. The yard. The age. The basement. And while the phone npany's solution is to add more phones d more monthly rental fees), you still find rself scrambling to answer calls.

All because of a cord.

Well now, as in no other time in history, have the chance to cut that cord. And e yourself with technology's newest rvel: the cordless Muraphone™300.

e world in your pocket.

Muraphone lets you instantly place or wer phone calls up to 400 feet away from r existing telephone. Meaning you can m a full 10 acre area and never miss a . And call out—to any corner of the world om places phones-on-wires can't reach: the pool, under the car, even at the ghbor's.

Just slip the trim remote handset into a cket. Or clip it to your belt. The compan- base unit (connected to your regular one) will relay calls directly to the hand-

And alert you with a soothing electronic e, not the usual shock-provoking bell.

To dial out, use Muraphone as you uld any pushbutton telephone. Then ply press the handset button to talk, ease it to listen. This genius even nembers the last number dialed—and ials at the touch of a single button (we w of no other remote phone, at any ce, providing this feature).

And its self-contained rechargeable tery provides up to 15 hours of operation. en not in use, simply slip the handset into base unit's built-in recharger.

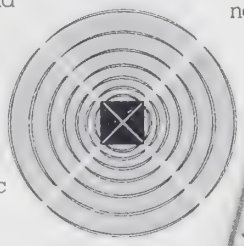
lents no extension phone can match.

Your Muraphone 300 does a lot re than handle phone calls.

Someone at the base t, for example, can con- t a person with the ndset at anytime using the system's own intercom channel—something no conventional extension phone can do. And it's independent of your phone company, so talk as long as you want, free of charge.

You can also use the intercom to screen incoming calls. A person at the base unit can receive the call first, put the caller "on hold," then privately page the handset (the same capability you find in most office systems—and never in an ordinary extension phone). If no one is at the base, the call can ring through directly.

Installing Muraphone is easy. Just connect the base unit to any standard wall outlet, and any modular phone jack (for those who don't have modular hook-up, jacks and adapters are available at all phone equipment stores).



Remote signal covers a full 10 acres. System includes 14 oz., 6½" × 2½" × 1½" handset and 7½" × 7" × 2" base unit (not shown).

FCC approved, Muraphone is compatible with all rotary and pushbutton systems; this one of a kind telephone is already saving people thousands of steps a day—in homes, offices and factories throughout the country.

A $149 surprise.

When we first heard about Muraphone 300's extraordinary features our reaction was the same as anybody's: How much?

Judging by its superior quality—and the high prices its few competitors were asking—we guessed $300. We never dreamed we'd be offering it to you for only $149.

Still, we'd like you to try it out first—at our risk. With two weeks to enjoy, first hand, the luxury of cordless telephoning. If, within that time, you're not completely delighted, simply return it. The Sharper Image will refund your entire purchase price, including delivery.

But quantities are limited, so give us a call soon to insure early delivery. See why this exciting telephone outperforms all conventional extension phones. And why it pays to go cordless.

Feature booklet, convenient service-by-mail, and 90 day warranty included.

Beware of a cordless product called Phone Ranger, that works on the same frequency as CB's (27MGHz), but is completely overpowered by CB's fifty times more powerful transmissions. Muraphone doesn't have this problem because it operates on 49MGHz, a special frequency allotted to cordless phones, and free of all CB interference.

ORDER TOLL FREE.

Please order product #214. Credit card holders may use our toll free number below. Or send check for $149 plus $3.50 delivery. Add $8.94 sales tax in California.

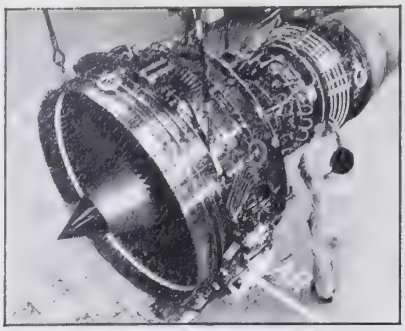
800 227-3436
In California 800 622-0733

THE SHARPER IMAGE™
260 California St., San Francisco, CA 94111
(415) 788-8880

Forbes

August 18, 1980
Volume 126, Number 4

37



35

45

46

Features

Companies: *A Contrary Opinion.* It takes a certain amount of courage to write an optimistic scenario for Chrysler. But FORBES Washington Bureau Chief (and old Detroit hand) Jerry Flint feels a good case can be made for its survival, perhaps even its return to prosperity. 33

Aerospace: *Jet Wars.* Out of nowhere, General Electric has turned the multibillion-dollar market for big jet engines into a donnybrook. 35

Cover Story: *Iraq: The Oil, C'Est Moi.* Iraq has replaced Iran as the second-biggest OPEC oil producer. Its ruler, Saddam Hussein, now has delusions of grandeur: He wants to be what Nasser was 20 years ago. But forget most of what you've read lately about Iraq's new "moderation." 37

Energy: *Feeding The Sharks.* The government is opening its purse in the name of saving energy. In that business, money doesn't always buy results. 45

Energy: *The Boom In Coal Exports.* While Americans fiddle with energy policy, Europe burns U.S. coal in increasing quantities. 46

Japan: *The Multitier Wage System.* Unlike the U.S., Japan does not institutionalize unemployment. 53

Energy: *Another Depressed U.S. Industry.* Thanks to the antinukes, the U.S. could end up as dependent on foreign uranium as it is on foreign oil. 58

Statistical Spotlight: *Cellar Dwellers.* More than 50 Big Board companies under $5. 64

Companies: *Sackcloth And Ashes.* Never again, says Coca-Cola Bottling of New York. After nine years of dismaying diversification, it's going back to beverages. 66

Companies: *Operation Steelstrap.* In the sagging U.S. stee industry, Allegheny Ludlum stands out for its continuin profitability. 8

The Money Men: *Big And Small.* Dave Williams manage $8 billion on Wall Street. Ronald Sadoff runs $20 million ou of an office in his Milwaukee home. What they have i common are impressive records. 8

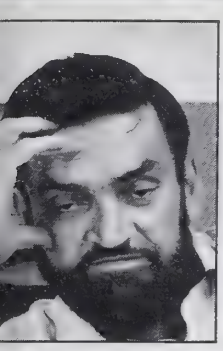
Foreign Aid: *Who CAREs?* With little fanfare, CARE ha turned into one of the world's best aid programs. 8

Faces Behind The Figures

Milton Friedman, *Economist* 9
Richard R. Shinn, *Metropolitan Life* 9
Yoji Hamawaki, *Kawasaki Heavy Industries* 9
Raymond K. Mason, *Charter Co.* 9
Robert K. Heimann, *American Brands* 9
Charles H. Shaw, *Real Estate Developer* 9
Justin Dart, *Dart Industries* 9
Robert LeResche, *Alaska Comm. of Natural Resources* 9
Robert M. Schaeberle, *Nabisco* 9
William Samengo-Turner, *Bellefonte Insurance Group* 9
Lloyd Bentsen, *U.S. Senate* 101
E. Gerald Corrigan, *Federal Reserve Bank of Minneapolis* 101
Paul Bloom, *Department of Energy* 101
Mitchell Rogovin, *Rogovin, Stern & Huge* 102
William Ziff, *Ziff Corp.* 102
Lu Yuxi, *People's Republic of China* 102

The Streetwalker: *Hybrid Convertibles.* Want to borrow long-term money at 3%? Here's how Textron did it, and how Mesa Petroleum did nearly as well—through an unconventional kind of convertible. 104

Insurance: *Blindman's Buff?* Reinsurance looks simple enough. It also looks like a money machine. The high rollers seem to have discovered it. 108



66

86

120

vernment Spending: *The Peter-To-Paul Principle.* hile the politicians vie with each other making promises hold down government spending, ponder this: Over half e federal budget for the next fiscal year is simply redis- buted income. 110

vesting: *The Odd Couple.* White-maned Andrew Mel- is a casting director's ideal of a Wall Street executive. perkinetic Jay Perry would never get the role. If be- een them they can't get Dean Witter Reynolds into the time, then nobody can. 112

mpanies: *Floating Upstream.* Why are Texas' superrich s brothers buying all that S&H stock? 114

mpanies: *Mr. Mac's Birds.* A mighty good business. .118

lustry: *More Than A Buzzword.* The man who thought "reindustrialization" says cutting taxes and red tape l help. But it won't be enough. 120

mpanies: *Ill-Wind Windfall.* Twice since 1968 a seem- death blow has led to Arcata's rejuvenation. 122

mpanies: *Burning A Hole In His Pocket.* What do you with $270 million in cash at the age of 64? That's what lcon International's Dr. Ralph Landau must be asking nself these days. 124

mpanies: *Family Feud.* The saga of the Davis family of as and their $2 billion oil empire may sound like a ond-rate soap opera with a violent twist to the script. it's real. 126

mpanies: *The Other Side Of Revlon.* Almost any other npany would trumpet the accomplishment, but for rea- s best known to Revlon, Inc. Chairman Michel C. gerac, the company stubbornly downplays the fact that s building a top health-care business. 130

Money And Investments

The Economy: *Bad News With A Silver Lining.* Beware those seductive words "bottoming out." They seem to say the recession is over. It isn't. The good news, though, is that inflation will moderate. 133

Columnists

Ben Weberman 134
Heinz H. Biel 136
Ashby Bladen 138
Srully Blotnick 140
Richard B. Hoey 142
Martin T. Sosnoff 144

Departments

Side Lines 6
Trends 10
Follow-Through 14
Flashbacks 18
Readers Say 20
Fact and Comment.....25
Other Comments 28
Editorial Index 147
Thoughts.....148

Photos: pp. 6, 66, 94 top, 96 top, 102 center and right, Bill Kelly; p. 12, UPI; pp. 37, 39, Sygma; pp. 38, 41, Nik Wheeler/Black Star; p. 38 right, C. Simonpietni/Sygma; p. 39, Black Star, Gamma Liaison; p. 45, Nicholas Eyle; p. 46, Robie Ray/Virginia Pilot; p. 53, Nippon Steel/Gamma Liaison; p. 58, Jim Natchway; pp. 81, 92 top, Patrick Pagnano; p. 82, John Chang McCurdy; p. 85, Ted Rozumalski/Black Star; p. 86, Eric Poggenpohl; p. 92 left, Century Productions, Ltd.; p. 92 right, Marc Weinstein; p. 94 left, John Remberton/NY Times; p. 96 left, James Caccavo/Empire; p. 96 center, Rob Stapleton; p. 96 bottom, John Moss/Black Star; p. 101 top, Bruce Hoertel; p. 101 bottom, Alvis Upitis/Black Star; pp. 101 right, 102 left, Paul Conklin/Lensman

Charts and Maps: pp. 34, 39, Andrew Christie; p. 110, Bob Conrad

Cover Photo: Alain Noques/Sygma

Forbes (ISSN 0015 6914) is published biweekly by Forbes Inc., 60 Fifth Ave., New York, N.Y. 10011. Second-class postage paid at New York, N.Y. and at additional mailing offices. Subscription $27 a year, U.S.A. Postmaster: Send address changes to Forbes, 60 Fifth Ave., New York, N.Y. 10011.

Copyright © 1980 Forbes Inc.

Rockwell International is more than the builder of the first reusable spaceship engine.

Much more.

Aerospace.

(Sales, fiscal 1979: $1.6 billion)

We're prime contractor to NASA for the Space Shuttle's system integration, and for building the orbiters. The three highly sophisticated, liquid-fueled main engines which will help power the orbiter at lift-off are designed and built by our Rocketdyne Division. Since the main engines and orbiters are both reusable, the Space Shuttle system lowers the cost of bringing the many benefits of space down to earth.

Our role in this, the most advanced project in the history of space, is just one of our aerospace activities. We also have a long, proud history as a designer and builder of business and military aircraft. And we're building the Navstar satellites that will make it possible for users to determine their positions to within 30 feet on land, at sea and in the air.

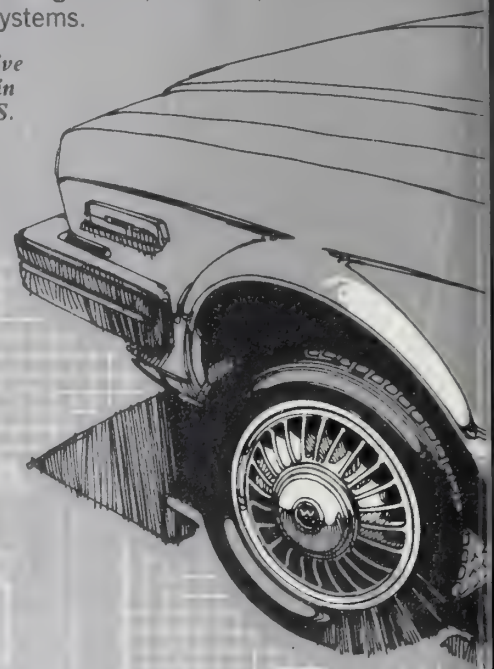
Automotive.

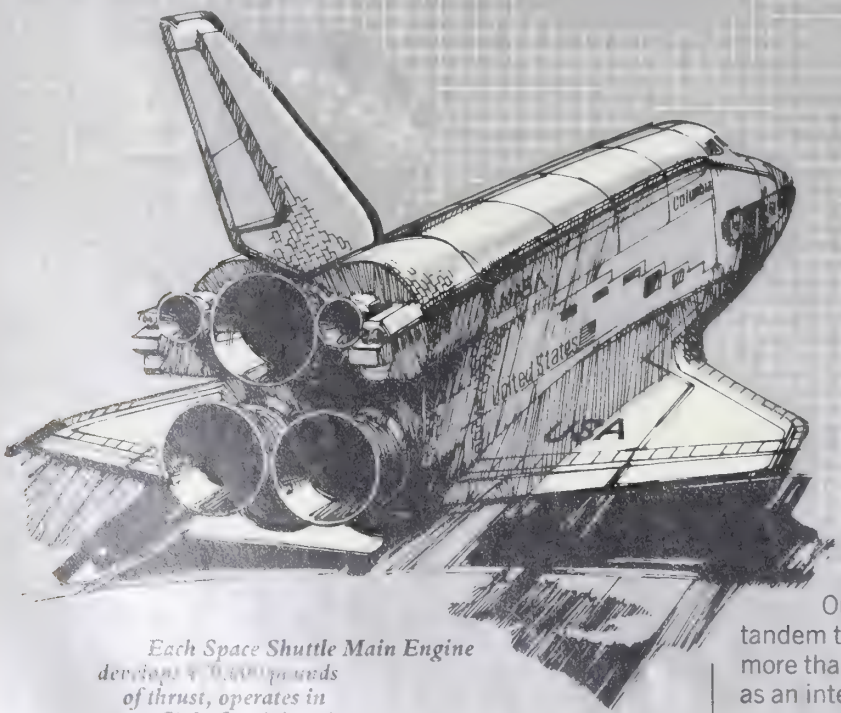
(Sales, fiscal 1979: $1.8 billion)

We're a major supplier of styled aluminum wheels to the automotive aftermarket, and to a growing number of passenger car manufacturers in this country.

Through our worldwide automotive plants, we're also an international supplier of other passenger car components, including steel wheels, seat recliners, coil springs, window regulators, sunroofs, door latches and door-locking systems.

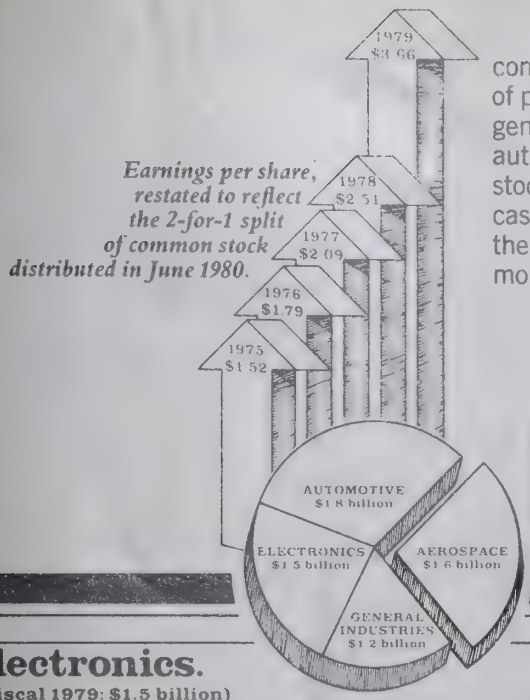
Our automotive components are in almost every U.S. car – and in many cars made and driven abroad.





Each Space Shuttle Main Engine develops [illegible] pounds of thrust, operates in flight for eight minutes, and can be reused as many as 55 times.

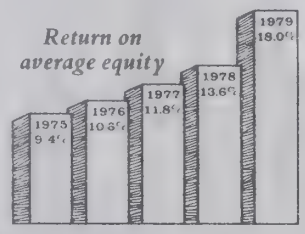
Our axles are installed on one-half of the highway tandem tractors in North America — and our brakes stop more than half of the heavy-duty trucks. Our position as an international supplier of heavy-duty vehicle components is well established, and we have made a strong commitment to continued growth.



Earnings per share, restated to reflect the 2-for-1 split of common stock distributed in June 1980.

Fiscal 1979 sales

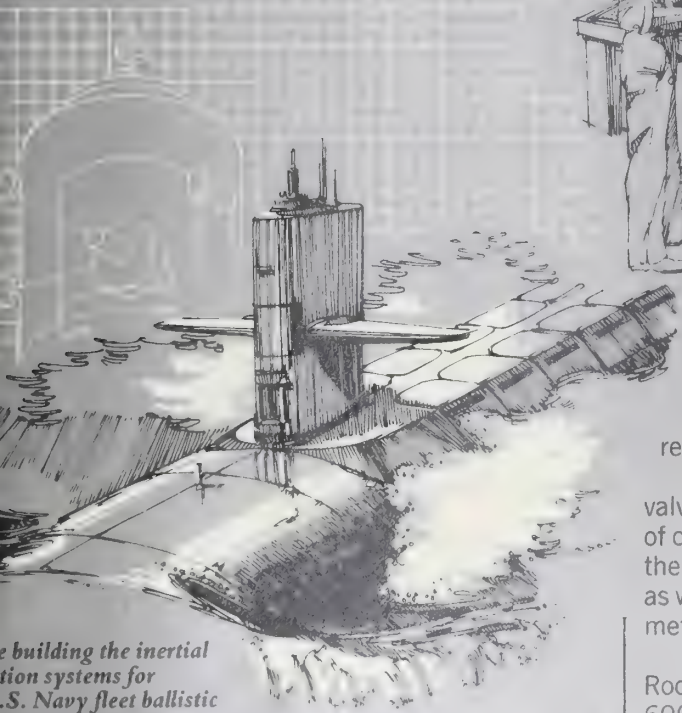
Rockwell International is a major multi-industry company, applying advanced technology to a wide range of products — in aerospace, automotive, electronics and general industries. On May 7, 1980, the Board of Directors authorized a 2-for-1 split of the company's common stock, and increased by five cents a share the quarterly cash dividend on the common shares outstanding prior to the split. It was the third dividend increase in the past 18 months and the eighth in nine years. Fiscal 1979 sales were $6.2 billion, up 16% over 1978. Fiscal 1979 net income, $261.1 million, was up 48% over 1978. Our 18% return on average equity is a substantial improvement over 1978 and nearly twice that of 1975.



Electronics.

(Sales, fiscal 1979: $1.5 billion)

Our inertial navigation systems are aboard all Polaris and Poseidon rines, and are on the new Trident s well. The advanced technology d in our marine navigation systems esult of 30 years' experience in this - and this is only one of the areas h we're a major defense nics supplier.

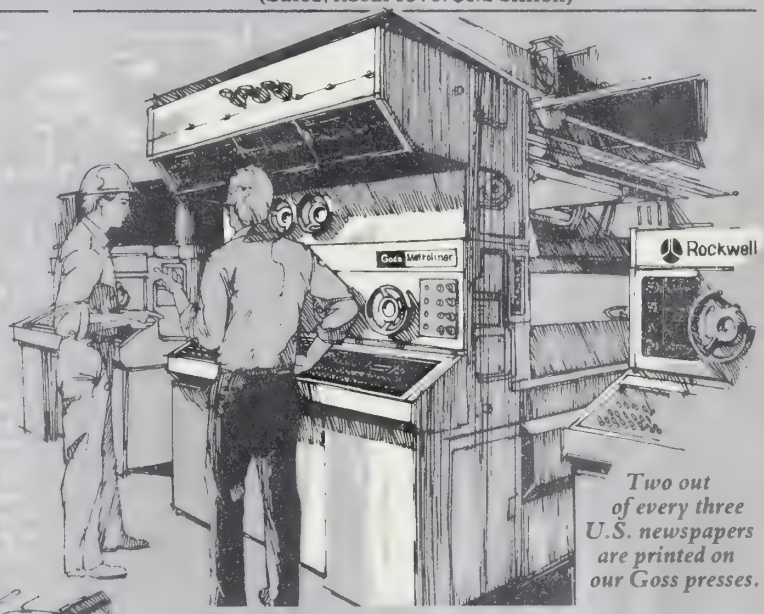


e building the inertial tion systems for .S. Navy fleet ballistic ssile submarines.

Our electronics businesses also produce extensive f telecommunications products and systems. ition, we're one of the world's leading suppliers of cs for air transport, general aviation and military t. We also produce a variety of microelectronic ns and devices, including industrial and ercial bubble memory systems.

General Industries.

(Sales, fiscal 1979: $1.2 billion)



Two out of every three U.S. newspapers are printed on our Goss presses.

We're a world leader in web offset newspaper presses. Our Goss Metroliner is enabling the world's large daily newspapers to convert to the greater print clarity and color capability of offset printing. We recently delivered our two-thousandth Metroliner unit.

We're a leading supplier of high-technology valving used in the production, transmission and processing of oil and gas. Our extensive technology is being applied to the world's growing need for alternate energy sources: nuclear, as well as gasification and liquefaction of coal. We also make meters, power tools and industrial sewing machines.

For more about us, write for our annual report: Rockwell International, Dept. 815R-37, 600 Grant Street, Pittsburgh, PA 15219.

Rockwell International

...where science gets down to business

Automotive / Aerospace
Electronics / General Industries

Forbes

Editor
James W. Michaels

Managing Editor
Sheldon Zalaznick

Executive Editors: Dero A. Saunders, James Cook
Economics Editor: Ben Weberman
Art Director: Everett Halvorsen
Senior Editors: Ruth M. Gruenberg, Robert J. Flaherty, Geoffrey Smith, Howard Rudnitsky, Jefferson Grigsby, John A. Conway, Stanley H. Brown, Malcolm S. Forbes Jr., Paul Gibson
Contributing Editors: Richard Phalon, Clothield Spencer, Norman Gall
Associate Editors: Jean A. Briggs, Subrata N. Chakravarty, Thomas C. O'Donnell, Maurice Barnfather, Allan Sloan
Staff Writers: Harold Seneker, James O'Hanlon, Carol E. Curtis, Stanley Ginsberg
Reporters: Betty Franklin, Richard Greene, Steven Flax, Thomas Jaffe
Reporter-Researchers: Flora S.H. Ling, Chief; Gerald Odening, Linda Gasparello, Christine Miles, Alyssa Lappen, Jane Carmichael, Thomas Baker, Jeff Blyskal, Anne Bagamery, Tom Chesser, Newcomb Stillwell, Merrill Kalisch, Jonathan Greenberg, Van Wallach
Washington Bureau: Jerry Flint, Manager; Beth Brophy, Ann Hughey, William Baldwin
West Coast Bureau: John Merwin, Manager; Kathleen K. Wiegner, Michael Kolbenschlag, Nick Galluccio, Ellen Paris, William Harris
Southwestern Bureau: Phyllis Berman, Manager; Tedd A. Cohen, Toni L. Mack
Midwestern Bureau: Bob Tamarkin, Manager; Lisa Gross, Larry Marion
European Bureau: Lawrence Minard, Manager; Barbara Ellis
Copy Department: Donald E. Zipperer, Chief; Marlene Mandel, Deputy; Dolores Guilhot, Jane Lashaw
Art Department: Roger Zapke, Ronda Kass, Assistant Directors; Nikki Frost, Photo Editor; Philip Gefter, Assistant Photo Editor
Columnists: Heinz H. Biel, Thomas P. Murphy, Stanley W. Angrist, John Train, Martin T. Sosnoff
Director of Production: John J. Romeo; Robert M. Rosengarten, Edward B. Morgan, Robert D. McDaniel, Assistants
Advertising Production: Patricia Deckelnick
Photocomposition: James Cianelli, Manager; Karen Heuler, Assistant; Lynn Gaspar, Johnnie English, Arthur Petz
Information Services: Robert M. Sterenson, Manager
Library: Dolores A. Lataniotis, Chief; Clarita Jones, Santiago Alvarado, Gloria Katz
Statistics: Donald E. Popp, Editor; Maria M. Latorraca, Associate Editor; Edward Sakalian, Ann Oliver, Paul Bornstein, Tom Kue, Steve Kichen

President and Editor-in-Chief
Malcolm S. Forbes

Publisher
James J. Dunn

Executive Vice President
Leonard H. Yablon

Vice President and Secretary: Malcolm S. Forbes Jr.
Vice President and Controller: Joel B. Redler
Vice President and Treasurer: Leonard Greenberg
Vice President and Assistant Publisher: Christopher Forbes
Director of Advertising: Stephen G. Nicoll
Director of Corporate Communications: Wm. Donald Garson
Director of Circulation: John M. Thornton
Director EDP: Jerome Hoffman
Advertising Representatives:
New York: 60 Fifth Ave., 10011, Peter M. Schoff, Manager; (212) 620-2232 Arnold J. Prives, Fin'l Adv. Mgr.; George C. Clissold; Donald W. MacDonald; G. Croft Henry; John Wilson; Richard Calkins; Ellen S. Dweck, Kevin D. Miller; James W. LaCirignola, Dir. Int'l Adv.; H. Duncan McMillan, Dir. Spec. Proj.; Thomas G. Petersen, Co-Dir. Spec. Proj
Atlanta: 550 Pharr Rd. N.E., 30305, Charles S. Thorn Jr., Manager; (404) 233-2457
Chicago: 435 N. Michigan Ave., 60611, Richard W. Reynolds, Manager; (312) 467-5000 James H. Mallon, Jeffrey M. Cunningham
Cleveland: Suite 501, The Leader Building, 44114, James B. Norton, Manager (216) 771-1271
Dallas: 4681 First National Bank Building, 75202, Fred H. Wellington, Manager; (214) 742-7001 William R. Arnold, Co-Dir. Spec. Proj.
Detroit: 3331 West Big Beaver Rd., Troy, Mich. 48084, Richard E. Forbes, Manager; (313) 643-0105
Los Angeles: 5900 Wilshire Blvd., 90036, Craig E. Miller, Manager; (213) 931-8131
San Francisco: 625 Market St., 94105, John B. Cunningham, Manager; (415) 788-2366
Classified: Sarah Madison; (212) 620-2371 60 Fifth Ave., New York, N.Y. 10011

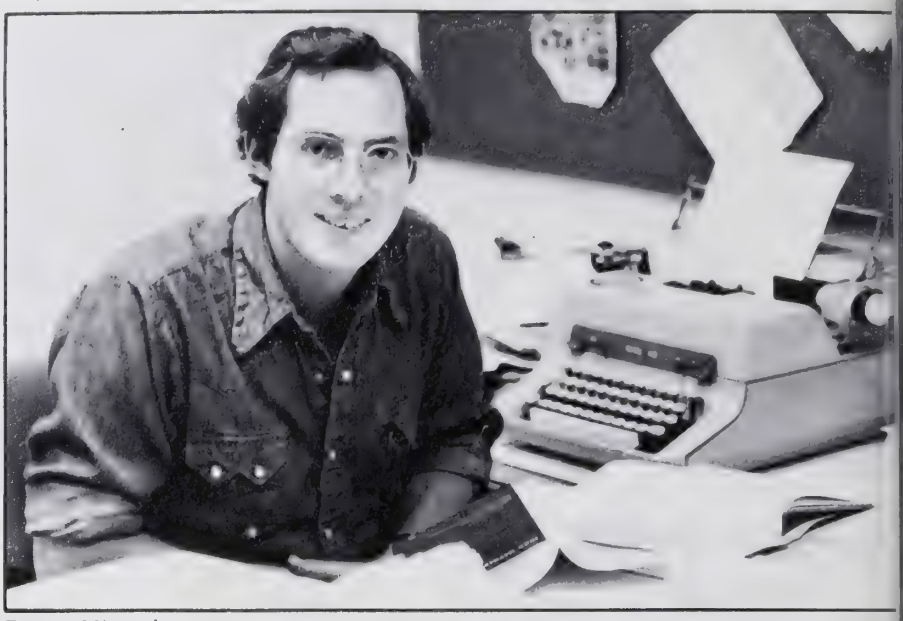
Mgr. Subscription Service: T.M. York (620-2348) 60 Fifth Ave., New York, N.Y. 10011

PAID CIRCULATION OVER 690,000

FOUNDED 1917 BY B.C. FORBES (1880-1954)

Side Lines

Iraq: wealth, talent—and waste



Forbes' Minard
Chronicling a tragedy.

"What a tragedy, Iraq's," says Forbes' Lawrence Minard. "Here's a Third World country with a population that enjoys a fairly good level of education, a proud history and bulging coffers and yet misgovernment condemns most of its people to a miserable, fear-ridden life." Laury Minard, 30, Forbes European bureau manager, is just back from that oil-rich country where he reported the cover story that begins on page 37. Minard describes a situation where a cynical dictatorship wraps itself in a mantle of socialism and Pan-Arabism, avoiding the bizarre obscurantism practiced by the Mad Mullah in neighboring Iran but using methods that are no less brutal. Says Minard: "Iraq is a paradox. It is urbane and sophisticated on the surface, where women are free to shed the veil—and frequently do—where bars are crowded with arak-swilling, overweight Kuw and where blaring horns and natte jackhammers keep up a constant But the government is a cross betv oriental despotism and 1920s Chic style gangsterism."

Why a story on Iraq at this time? V post-Shah Iran in bloody chaos, Iraq emerged as OPEC's second-biggest producer. Unlike Saudi Arabia the c try has a substantial population, a t tion of development and a good lev education. With the right kind of gov ment it could be a force for peace in Middle East and an example for o Arab and Third World countries. A Minard reports, the final ingredien missing, and until the governn changes, the West should not coun good things from Iraq.

Faces behind the "Faces"

Faces Behind The Figures represents a familiar journalistic challenge—squeezing the maximum amount of information into the minimum amount of space. In this issue of Forbes, we've set a record for us—16 individual "Face" items in just five full pages.

A Face often represents a clear and unified story line—a single thought—that could be told in 1,000 words but simply works better at 200 or 300. Often, they're light or humorous pieces, like Ben Weberman's report in this issue on economist Milton Friedman's encounter with the free market. Some are facets of a larger story, deeper dimensions bel the headlines. The element commo all of them, though, is that they're al people.

Forbes' writers and reporters throu out the world contribute items for Fa often researched as laboriously as lo stories in Forbes. The raw materi put into final form by Senior Editor ferson Grigsby, who says his 17 year experience on news desks of Un Press International help in the proces compression. Faces begin on page 9 this issue. Judge for yourself.

Do You Have What It Takes To Succeed In The 1980s?

Take This Simple Test And Find Out.

It will take you just a few minutes to answer these few important questions about yourself—these few moments could quite possibly change your entire future.

Test Your "Future" Potential Here	Yes	No
1. Are you currently at the mercy of someone else who can pull the rug out from under you at any time through no fault of your own?	☐	☐
2. Could your present job (and income) be eliminated when this country enters an inevitable recession?	☐	☐
3. Do you realize you must plan **now** because Social Security is almost bankrupt and skyrocketing taxes and inflation will make "pensions" little more than a cruel joke?	☐	☐
4. Do you agree that when you get down to brass tacks, it's up to **you,** and nobody else—to learn how to build your own nestegg—protect it from taxes and inflation—in fact, **survive** in the coming hard times?	☐	☐
5. Do you know what industries face certain disaster because of a new consumer rebellion caused by computers and automation (your company)?	☐	☐
6. Would you like to know how the public's new attitude toward certain responsibilities is creating a slew of new low-investment, high-growth opportunities?	☐	☐
7. Have you spent many years and a lot of hard work at school and on the job, training yourself for a job that could become obsolete or non-essential as a result of new technology?	☐	☐
8. Do you know why recent business school graduates are shunning the corporate life in favor of private enterprise and how this may affect your future?	☐	☐
9. Would you like to know how to make high-return, low-risk investments in products with the potential of the "Hula Hoop" before anyone else finds out about them?	☐	☐
10. Would you seriously take the time to read a new 86-page special report that tells you all about the **safe, sure** way to succeed in the '80s—**free** and without obligation?	☐	☐

If you answered "yes" to most of these questions you should not miss reading this revealing new special report from the business editors of *ENTREPRENEUR* Magazine. It is the **only** report of its kind. It tells you of the drastic changes facing us in the coming decade, and how you can use them to your **advantage,** instead of falling victim as so many will.

The Truth About The Future

Everywhere you look things are changing fast. New technology is going to revolutionize the way we live, work and play. New businesses will be created while others will become obsolete and die. But that's good. Because change creates opportunity. Fortunes are made by those who recognize change—adapt to it—and act on it **before** anyone else. It's that simple.

Learn From A Team Of Experts

. . . including Chase Revel, founder of American Entrepreneurs Association, syndicated business columnist, author of 10 books and 82 business manuals, and publisher of *ENTREPRENEUR* Magazine; along with his staff of more than 60 writers, editors and researchers.

Free Report Reveals

- What will be the hottest new businesses of the 1980s
- **Which ones will show the most profit**
- Which ones will decline in acceptance
- **What business categories offer the most growth potential**
- New trends that are developing that offer tremendous opportunities
- **An amazing criteria for spotting ground-floor gold mines before everyone else jumps in**
- How high technology will create some amazing new consumer type business opportunities
- **New products now in development that will create a new breed of millionaires in the '80s**
- How to spot fads at birth that mean gigantic short-term profit opportunities
- **A sure way to create a business that will be immediately accepted**
- How to determine whether your business idea will work and whether it is worthwhile
- **The businesses to stay away from**
- Several ways to capitalize on the nostalgia trend

Here's What The Press Had To Say

". . . (Revel's) predictions of trends usually correct." **Indianapolis Star**

". . . a forecaster (Revel) who seldom misses." **Los Angeles Times**

"The most authoritative group of small-business professionals in the country." **Chicago Newspaper**

"AEA spends a lot of time predicting trends. The research is meticulous . . ." **San Francisco Examiner**

The Next Move Is Yours

You can clip the coupon below and send for our new 86-page special report and learn how to secure your future once and for all. Do it today. You risk nothing. It could be the wisest move you'll ever make.

© 1980 AEA, 2311 Pontius Ave., Suite E-103, Los Angeles, California 90064

American Entrepreneurs Association
Publications Division
2311 Pontius Ave., Suite E-103,
Los Angeles, CA 90064

Yes, I'd like to plan now to take steps to insure my future security. Send me a free copy of Special Report No. 302. I understand I am under no obligation whatsoever.

Name _____

Address _____

City _____ E-103

State _____ Zip _____

How Johnson Controls gives Charles Duggan

Why did you need total control of your building?

This is a good, efficient building. Only ten years old. But back then there was no need for special energy-savings programs. Then the energy crunch hit us. Heating, cooling, lighting... We had to get control of our costs. Fast.

That's where Johnson Controls came in?

Buying a computer can be costly for a 73,000 square foot building. We learned from Johnson Controls that we could rent time on their Time-shared Automated Building Service computer. Johnson Controls surveyed the building, selected 32 key control points, and projected the savings at each point right down to dollars and cents. Now we have a phone line directly to the computer.

How does the system work for you?

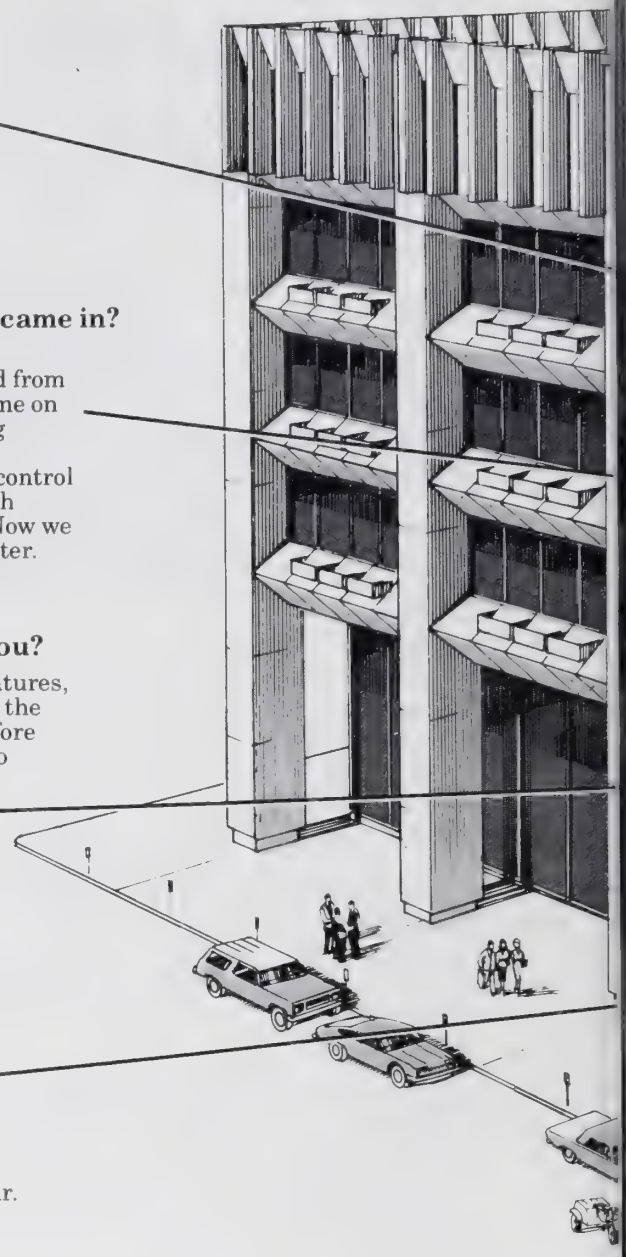
It measures outside and inside temperatures, then turns on the heating or cooling, at the very last minute, to the proper level before our people arrive in the morning. It also turns motors on and off to minimize peaks of electrical use. Still another program controls our lighting. It will even report a malfunction at any hour of the day or night.

Exactly how much has Johnson Controls saved you?

On my desk you'll find computer printouts that tell us exactly how much electricity and steam we are using. We cut our electric usage by about 39%, steam by 37%. We figured our payback time, too. The service has paid for itself in approximately one year.

Would you say that you've had a good relationship?

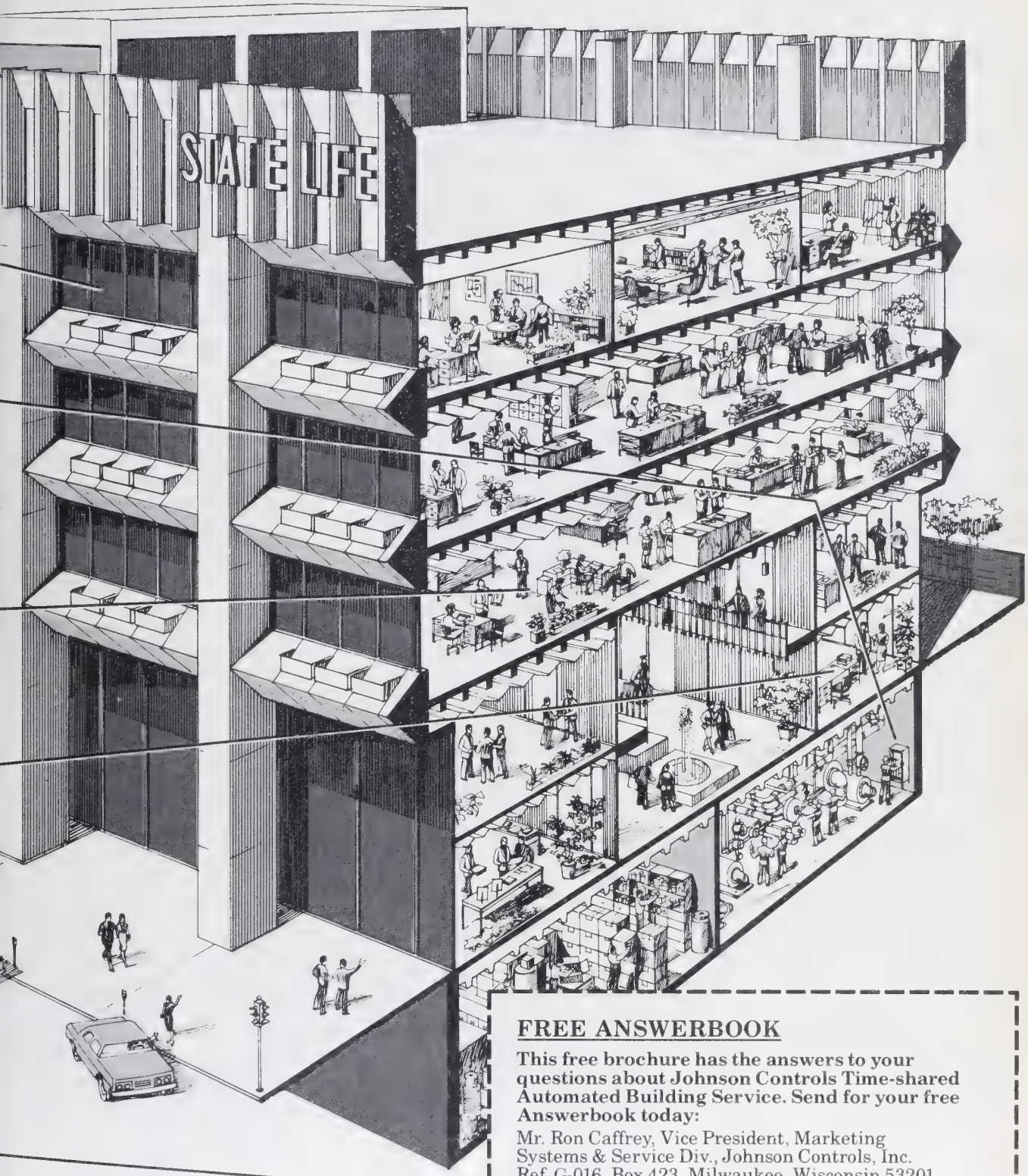
No question. And that relationship will continue. For instance, our firesafety and security systems are *not* Johnson Controls. But we've learned we can make both systems work faster and more efficiently by tying them into the system. We're looking into that right now.



Charles Duggan
Assistant Vice President
Director of Office Services
State Life Insurance, Indianapolis

Your single source for design, manufacture, installation and service of automated building controls. Proprietary or time-shared. Energy management, heating, air conditioning, fire management, security, communications and mechanical maintenance. © 1980 Johnson Controls

otal control of State Life.



FREE ANSWERBOOK

This free brochure has the answers to your questions about Johnson Controls Time-shared Automated Building Service. Send for your free Answerbook today:

Mr. Ron Caffrey, Vice President, Marketing
Systems & Service Div., Johnson Controls, Inc.
Ref. G-016, Box 423, Milwaukee, Wisconsin 53201

NAME _____

TITLE _____

COMPANY _____ PHONE _____

STREET ADDRESS _____

CITY _____ STATE _____ ZIP _____

JOHNSON
ONTROLS

e total control company

Profits in Peking

Now that joint ventures with foreign capitalists are welcomed in China, Peking is eager to find out how best to measure—and tax—their earnings, a new problem because profits are not part of generally accepted communist principles, accounting or otherwise. So Coopers & Lybrand, the CPA firm, will conduct a seminar in Shanghai this fall to clue in the Chinese on profit-and-loss accounting. Peking's experts meanwhile are polishing up a new tax law for joint ventures, and some outsiders think they will wrap in ways to tax Chinese enterprises and citizens who operate for profit. Individual income levies were scrapped after the 1949 Communist takeover, but Harvard Law School tax expert Oliver Oldman noted on a visit last year that China still had a tax system (and 200,000 tax collectors) inherited from the old regime, "a mixture of local property taxes, a complex system of sales and excise taxes and an income tax on profitable activity." State-run operations, obviously, turn over everything to the government but there are others that are not state-run. Peking wants to share their wealth, and Oldman thinks the new law on joint ventures will be extended to cover them.

The law and the gun

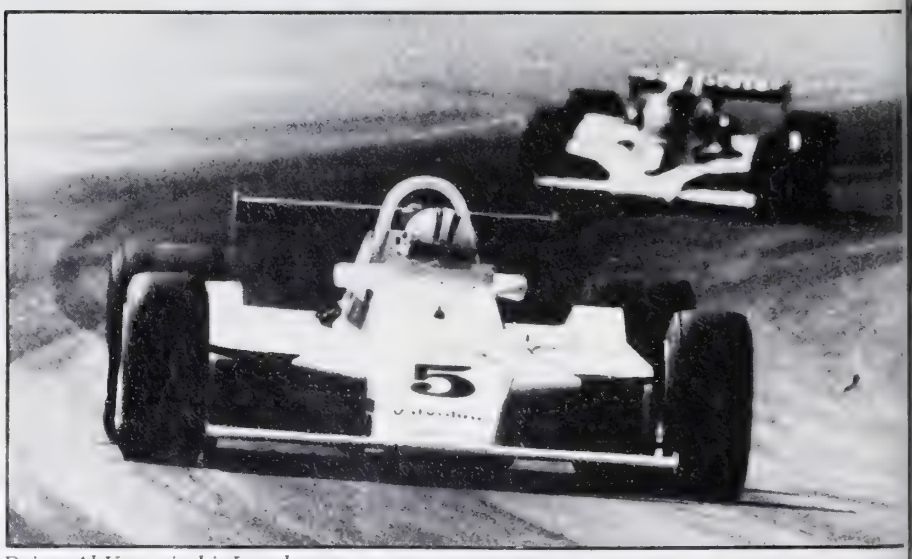
Gun buffs plan to boycott New York State because of a new law that mandates a one-year jail sentence for carrying a loaded, unlicensed handgun in public. The Citizens Committee for the Right to Keep & Bear Arms is asking the country's 55 million gun owners to buy no goods or services from New York and to scratch the Empire State from their vacation list. The committee, which claims 255,000 members, including more than 150 members of Congress, argues, among other things, that "New York police are notorious for their slow bureaucratic actions on license applications."

Uncle Sam, taxpayer

Exempting federal office buildings, post offices and military bases from local real estate taxes should come to an end, says the influential Advisory Commission on Intergovernmental Affairs, a congressionally financed body of local, state and federal officials and private citizens currently headed by former New York Mayor Abraham Beame. The commission wants Congress to figure out a way to have Washington pay cities, states and counties sums that would equal the property taxes Uncle Sam can now ignore. (This freedom has been embedded in U.S. law since Chief Justice Marshall declared "the power to tax involves the power to destroy" in 1819.) The government already has some programs enabling agencies to make payments to local communities in lieu of taxes. The armed forces, for example, pay for schools that take in servicemen's children from nearby military installations. The commission would replace these scattered arrangements with one blanket payment system. How much is involved? Two years ago the total federal real property was valued at about $280 billion, 23% of it land, 53% buildings and 24% structures and facilities. The commission's proposal would continue to exempt the land, most of which consists of vast tracts in the West and other wide open spaces.

The racer's edge

Racing driver Al Unser added the latest in management tools, a computer, to his pit crew this year—with mixed results. Starting with the 1980 Indianapolis 500 (a race he has won three times), Unser has been using a $44,000 small-business computer made and donated by one of his sponsors, Basic Four Corp., a Management Assistance Inc. subsidiary based in Tustin, Calif. The machine, selected by Keith Duesenberg, a member of the famous Indianapolis auto clan and another Unser backer, monitors car positions, track conditions, laps completed, fuel consumption, etc., all with the idea of timing Unser's own pit stops with top-management precision. The Four 410 worked, then and since, out a glitch. Unfortunately, it was a the only thing that did. At the Unser's Longhorn lost its engine o 85th lap and he couldn't finish. A other race in Ohio, his car was bu during the start and quit after 27 The Longhorn lost its engine in two er runs but finally did finish a rac month in Detroit—in seventh place. computer, however, has been de blameless and will continue to shar pit with Duesenberg, Unser's wife mechanics, his team manager and Longhorn's Texas owner.



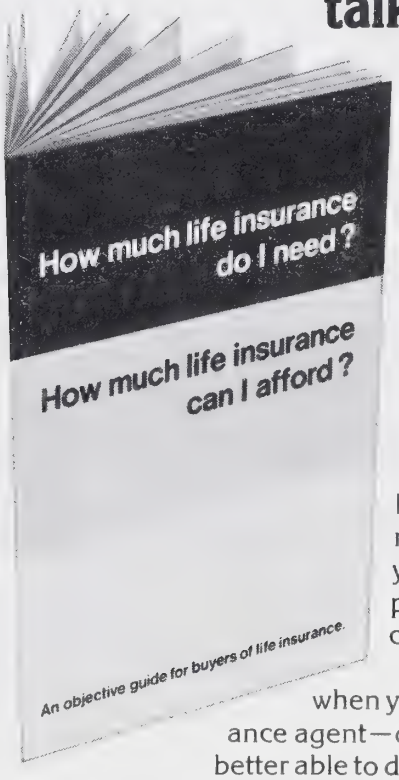
Driver Al Unser in his Longhorn
Input doesn't have much to do with outcome.

Trouble on the half shell

U.S. power companies are waging their customers are helping to pay fo expensive war against, of all th clams. The enemy is a freshwater lusk called corbicula, brought to the Northwest in 1938 by Chinese mig laborers who had carried them from ton as food. Since then the clams worked their way across the cou traveling, according to one theory ships' bottoms or, according to ano in the craws of birds. Because they great resistance to pollution the Chi clams multiply fiercely and by attac themselves to water-intake pipes screens effectively clog the water syst in power plants. Potomac Electric P Co. in Washington, D.C. first disco the pest in 1977 when it suffered a p failure because of a loss of cooling w It now spends $600,000 to $700,0 year to clean its pipes. The Tenne Valley Authority says controlling clams costs it more than $1 million a ally. The reason: Draining the water

If you don't know how much life insurance you need and can afford...

read this booklet before you talk to any agent... even ours.



Most people would probably feel more comfortable if they knew approximately how much life insurance they really needed and about how much it would cost.

Because so few people know how to arrive at these figures, The Bankers Life of Des Moines has prepared an impartial booklet that will help you approach the problem in a logical fashion. Offered as a public service, the booklet doesn't quote prices or recommend policies —ours or anyone else's. But, since individual needs vary greatly, it does provide the guidelines that can help you determine the amount of protection your family requires and what proportion of your current income it will take to pay for it.

Read this booklet now so that when you're ready to talk to a life insurance agent—ours or anyone else's—you'll be better able to discuss your needs and, between the two of you, arrive at a wise decision.

The coupon brings you this booklet free by mail. Unless you ask, we promise no one will call now or later.

The Bankers Life, Consumer Services **FB-80**
Des Moines, Iowa 50307

Please mail me the booklet that will help me decide how much life insurance I need and can afford. I understand no one will call, now or later.

Name _____

Address _____

City _____

State _____ Zip _____

THE BANKERS LIFE

BANKERS LIFE COMPANY DES MOINES, IOWA 50307

Individual and group life, health and disability programs. Pension and profit sharing investment plans. A subsidiary, BLC Equity Services Corporation offers mutual funds and variable annuities through registered representatives.

tems of a power plant once or twice a year costs about $50,000, and "any time a 1,000-megawatt plant is shut down for a day it would cost at least $100,000," according to Billy Isom, a TVA ecologist. There may be another solution. A biologist for Illinois Power claims he cut clam-control costs from millions to a few thousand a year—but he won't say how.

Meet the President

With the 1980 election campaign getting into full swing, the League of Women Voters is wrestling with the problems of who will confront whom in its planned television debates and who will pay for them. (There are to be three presidential meetings, one vice presidential.) The LWV financed and staged the TV debates

JFK debates RMN

Equal access for whom?

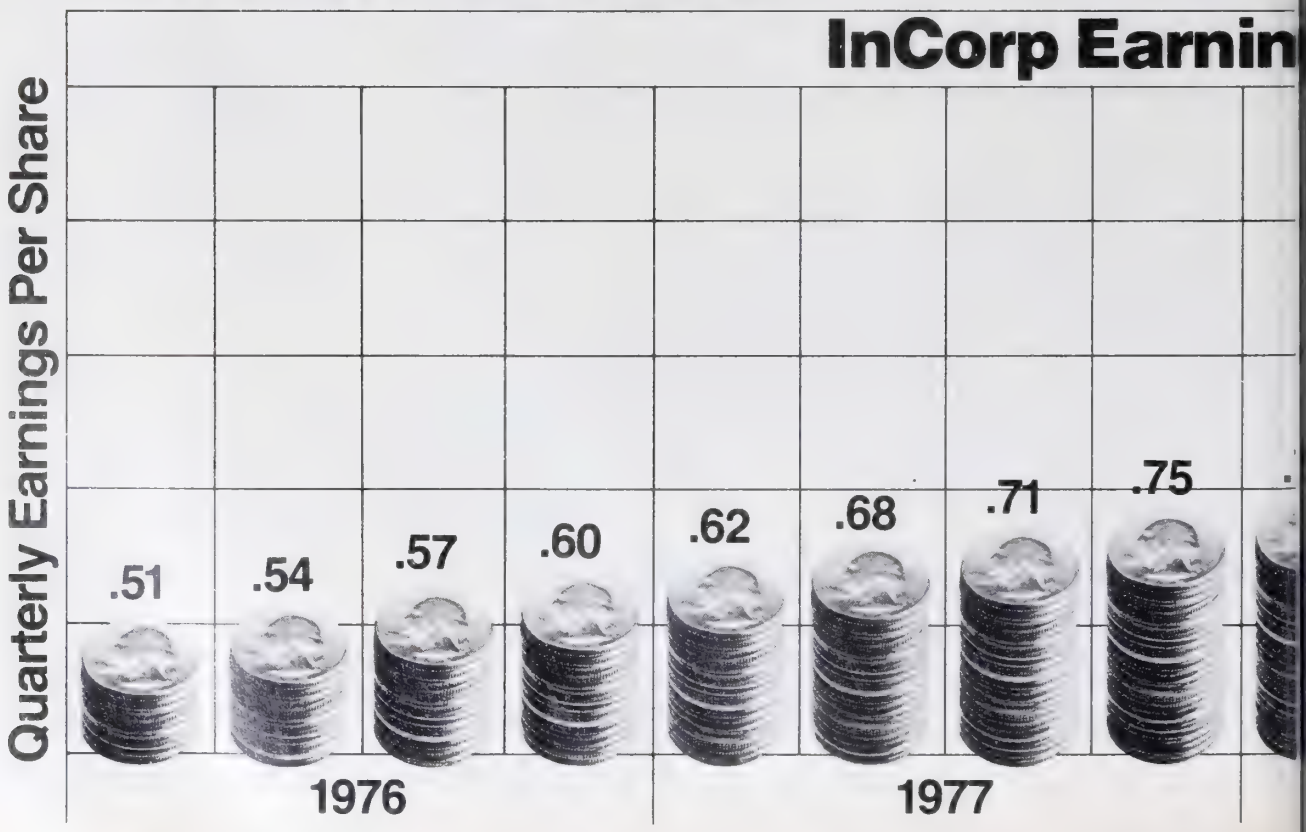
in 1976 between Jimmy Carter and Gerald Ford as public events, enabling the networks to broadcast them without running afoul of the FCC's equal-access rule. If the broadcasters acted on their own they could be forced to allow any candidate the same air time. After much soul-searching, the FCC suspended the rule in 196 LWV plan takes them off the hook pletely. The League, a nonpartisan with 120,000 members (5,000 of men), also determines who will a and its blue-ribbon selection pane decide that this month. The probl GOP maverick John Anderson, the viable-looking third-party candida years. Carter and Reagan have said are willing to meet, but the Preside expressed reservations about incl Anderson, while his Republican riv said he doesn't care. On the money the League (which had to dip into c to pay for the 1976 shows) figures i need about $500,000 for the four de It cannot accept money from the works, but it has raised $110,000 corporations ($50,000 of it from New Life), foundations and private cit and is looking for more contribution

InCorp. We've stacked up 18 consecutive quarter-to-quarter earnings increases.

We're InCorp – Industrial Nationa Corporation – the diversified finan services company that has reporte higher earnings each quarter for 18 quarters in a row.

2nd Quarter, 1980 Results:

- Record quarterly income of $6,875,000.
- Earnings per share of $1.11, up f $1.08 in the first quarter of 1980 up from $.99 in the second quar of 1979.
- Annualized return on common e of 16.42%.
- And, asset growth to $3.4 billion



oy among the jalopies

all but significant wrinkle has n up in the used-car market. Hertz, is probably also number one g used-car dealers in the U.S., found ew study that last year, for the first state and local governments were g up their usual penchant for shiny fleets and turning to the second- market. The numbers were not ,500 to 2,000 vehicles out of Hertz' of 60,000—but the trend has con- d into 1980. Not surprisingly, the used-car field was thriving, com- ing two-thirds of the U.S. market ear, up 3%, to 18.5 million. At the time, new-car sales began their by falling to about 10.3 million. ly understandable was that the gov- ent buyers who began eyeing used vere in California, where the tax slashes resulting from 1978's now-famous Proposition 13 were just starting to bite. And what were the tire-kickers buying? Hertz found that the typical used car, an intermediate-size sedan less than three years old with 29,000 miles on the dial, sold for just over $3,600 in 1979, up 5% over 1978. The typical buyer expected to keep it for another three years and put another 30,000 miles on it.

Tokyo answers Detroit

Japan is unlimbering its propaganda guns in the U.S. to counter charges that it discriminates against American automobiles at home while flooding the American market with its own products. "Overseas sales of U.S. cars are extremely low in almost all countries," runs one theme, "except oil-rich ones like Saudi Arabia and Kuwait, where neither cost nor fuel efficiency has any importance." American makers sold 16,739 cars in Japan last year, this spiel goes on, 4 times their sales in France and Britain combined. Conveniently overlooked is the fact that U.S. carmakers are major manufacturers overseas; Ford, for instance, is the leading car seller in Great Britain. Some of the arguments by Japan's apologists do show that Detroit hasn't exactly gone into high gear for Japanese sales. For one thing, "no American car has been adapted to the fact that Japanese drive on the left side of the road." Nor has any American company built up a dealer net to compare with those the Japanese have created in the U.S. Detroit sells cars in Japan, the Japanese agents say, "on their snob appeal, in somewhat the same way Rolls-Royces are sold in the U.S.," adding that 90% of them are too big for Japanese streets and garages and guzzle gas that runs $2.50 a gallon.

ady growth – in spite of an uncer- nomic climate – is no accident; ause of our business and geo- diversity.

perate more than 225 offices in tes and four foreign locations. ubsidiaries include one of New nd's largest banks, plus mort- banking, consumer finance, data ssing, factoring, appraisal and g companies.

As a result of this diversified earnings base, about 40% of our income comes from non-banking operations and over one-half is earned from business activities outside of New England. This means that we are well positioned to ride out the ups and downs of the economy, and that our opportunities for continued growth are excellent.

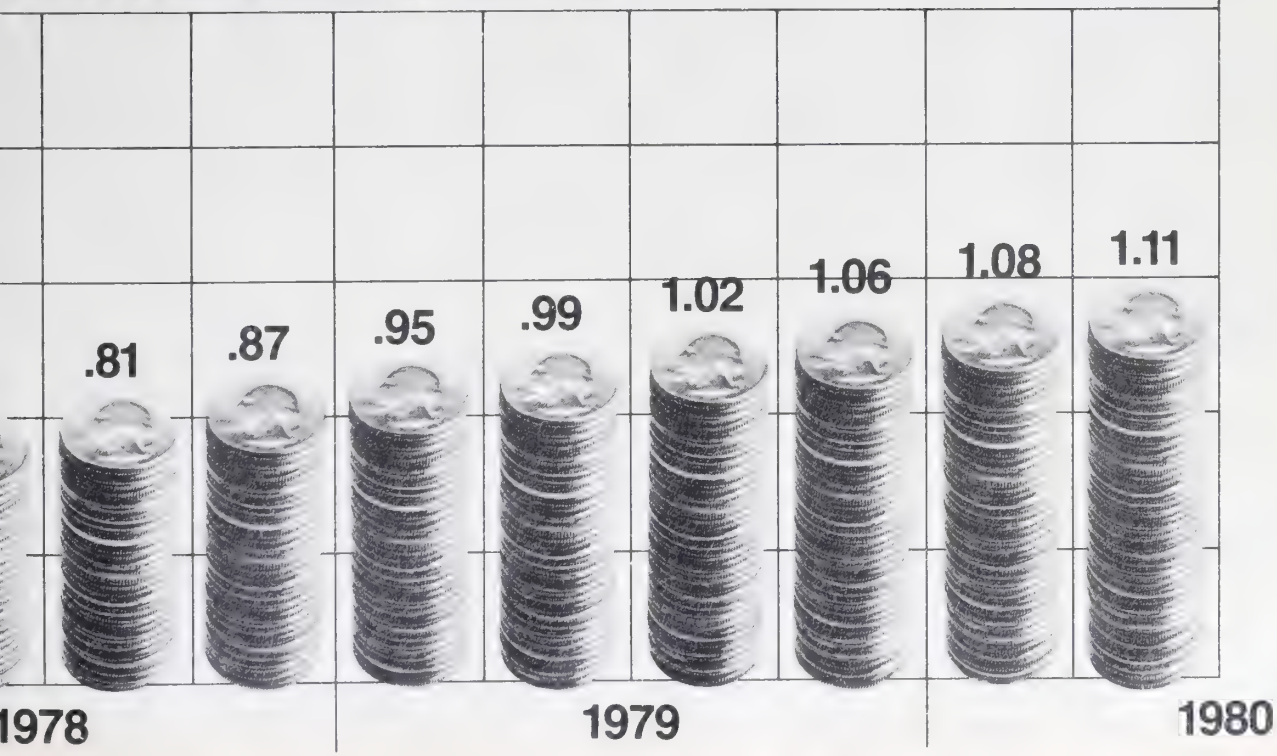
INCORP

Diversified financial services growing together.

NYSE – INB
Stock page listing – Indl Natl
Dividends paid every year since 1792.

National Bank, Providence, RI • Inleasing Corp., Providence, RI • Ambassador Factors Corp., New York, NY • Mortgage Assoc., Inc., Milwaukee, WI • Kensington Mortgage & Finance Corp., Milwaukee, WI • Southern Discount Co., Atlanta, GA • Information Sciences, Inc., Providence, RI • International Appraisal Co., Paramus, NJ • Industrial International Bank, New York, NY • Industrial Capital Corp., Providence, RI • Industrial National Mortgage Co., Providence, RI • C-O-M Service Bureau, Inc., Boston, MA

formance Record



Cincinnati Bell has been paying a dividend every quarter for the past 100 years

At a rate that's more than doubled since 1970. The latest annual report tells the story of Cincinnati Bell's sound management, innovative technology and fiscal foresight over the years and the profit-orientation and new marketing emphasis needed to keep growing today.

For more information, mail this coupon to Cincinnati Bell Vice President-Secretary, R. H. Allen, 225 East Fourth Street, Box 2301, Cincinnati, Ohio 45201

Please send 1979 Annual Report to

Name_____

Firm _____

Address _____

City _____ State ____ Zip ____

CHANGE OF ADDRESS

If you are moving, let us know six weeks before so we can keep Forbes coming. Enter your new address on this form and return it with a recent mailing label from the magazine.

NEW SUBSCRIPTION

To order Forbes, enter your address on this form and check the subscription you prefer. ☐ 1 year $27.00 ☐ 3 years $54.00 (the equivalent of one year free). Canadian orders, add $4 a year. Pan-American and Caribbean orders, add $5 a year; other foreign, add $15 a year.

Subscription Service Manager
Forbes, 60 Fifth Avenue
New York, N.Y. 10011

ATTACH MAGAZINE MAILING LABEL OR WRITE SUBSCRIBER NUMBER HERE
(see above name on label)

Name (please print)

New Address

City

State Zip

Date of Address Change

Follow-Through

The farmers' bankers

A year and a half ago, when the Federal Reserve was trying to head off inflation by pushing interest rates into double digits, FORBES *(Dec. 11, 1978)* took out after another branch of government for giving cut-rate loans to farmers. The target: the Small Business Administration, which in 1978 passed out $1.8 billion in disaster loans to farmers, primarily for drought damage. This despite the fact that farmers had been getting such help for 30 years from another loan window at the Farmers Home Administration (FmHA). Washington has finally decided to tighten the purse strings—sort of.

Congress decided farmers were small businessmen in 1976 and a year later Georgia's Senator Sam Nunn persuaded his peers that "disaster" included farm calamities like drought. (Georgia, as it happened, was then in the throes of one.) The SBA umbrella had special advantages down on the farm. To get FmHA money, for instance, meant passing a means test; the SBA imposed no such stricture. The SBA, in fact, had become a near-monopoly for farmers. In 1979 they collected $897 million in disaster loans; nonfarmers got $210 million.

One reason was lack of SBA expertise in farm operations; another was the temporary help it had to recruit to handle the rush of postdisaster applicants. "Frequently, the farmers with the best accountants got the biggest loans," says an analyst at the congressional budget office. (The SBA wasn't alone; the FmHA had also lent money to gentlemen farmers with millions in the bank.)

The rule books have now been rewritten to put at least some curbs on the money flow. For one thing, both SBA and FmHA loans have been given a limit of $500,000 for any single disaster. Loans by the SBA will also be reviewed periodically to determine whether the borrower is eligible for regular commercial credit, an established rule for FmHA. The principle that a farmer can turn to the SBA if the FmHA turns him down, however, has been left intact, leaving the barn door at least ajar.

The cancer-insurance battle

John B. Amos, founder and chairman of American Family Corp., has a simple explanation for the spiraling success of his Georgia-based insurance company and its bestselling cancer-expense policies. "We've got a heck of a sales force," he told FORBES three years ago *(Mar. 1, 1977)*. He obviously did. Using the company's "cluster-selling" technique—getting permission to offer its wares to employees during lunch breaks and after hours—Amos' salesmen had pus American Family's revenues up 50% ing the previous year, to $152 million stock (of which Amos owned 4%) riding comfortably at more than 14 last year their zeal had raised total come to $367 million. The rest of news about American Family, howe was far from comforting.

During 1979 a storm of public c cism burst over the Columbus, Ga. c pany and its chairman, centering on cancer policies. Television and other dia assailed cancer-insurance compa for high-pressure selling and excessiv low payback. Congress got into the In the House, Florida's Representa Claude Pepper's subcommittee on aging castigated the cancer-insura

Chairman John B. Amos
Cannon fire for his critics.

sellers for ripping off the elderly. In Senate, Ohio's Howard Metzenba conducted a similar crusade. The se tor, who had complained about stonewalling tactics of the insura companies, greeted the American Fam head with the remark that "the subco mittee had no alternative but to subp na Mr. Amos."

Out from behind the stone w Amos lost no time arguing his own c He noted, for instance, that A.M. B the insurance rating company, had g en American Family an "A" rating "Excellent") at the end of 1979. (He not choose to mention that Best, l other critics, had also noted that th benefits returned to policyholders "appear quite low," though it conce that was "due to the large volume new business being added.") He a argued that comparing American Fa ily's loss ratios (*i.e.*, how much they p out in benefits) to those of group hea and life insurance plans was invalid cause "the two types of policies are different as night and day."

se measured arguments contrasted Amos' earlier vow when he set out unterattack his media critics. He hen: "We are prepared to answer ious stone throwers with cannon After ABC-TV criticized American y last year, Amos leveled a $275 n libel suit against the network. year he fired off a similar blast in urts against the magazine *Chang-nes* over a story headlined "Why r Insurance Is a Bad Buy."

os and his company can use all the erfire they can muster. American y's bad press, the chairman ad- has brought a drop in sales even his highly motivated (and paid) nen. "When we were under fire," ys, "they just pulled their efforts Now, helped by "personal con- and regular mailings of favorable ngs, he says, sales are building though slowly. The aggressive gy is what is paying off, he claims. gents expect me to fight for them. they hurt, I hurt."

irman Amos can soothe some of rt by looking at his paycheck. In he paid himself $160,000. Things picked up since. Last year, Amos e Metzenbaum subcommittee, his ompensation was $1.1 million. His olders haven't been doing all that however. The stock that was 14 in lipped to around 8 last year and has ed around that level in 1980.

lysts blame the stock's falloff on ad publicity, combined with the ion and inflation. They also detect that the market for cancer insur- nay be reaching maturity, at least U.S. Thomas Richter of Atlanta's son-Humphrey expects the market y bearish on American Family for me being. He saw a possibility that can Family's earnings, which d last year, could suffer a 25% drop 80. Next year, Richter thought, might improve, but he was cau- "American Family's market," he , "is more mature than during past mic cycles and therefore more vul- e to outside shocks such as nega- ublicity."

n Amos stands fast. "We were not wrong," he says, adding that any es in his company's operations n response to changes in technolo- ot in response to government or critics. And they, he thinks, will le: "The eye of the storm has ." He still sees "some turbulence " however, and so American Fam- s started an institutional advertis- mpaign using copy from his testi- before the Senate. The senators, inks, gave him his first national to tell his side of the cancer-insur- controversy. So far the stock mar- least, doesn't seem to be listening.

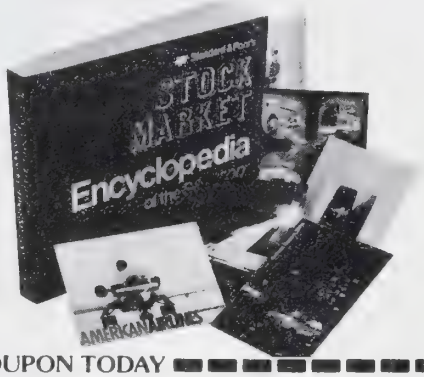
Standard & Poor's $22.50 Bonus to Investors!

THE S&P "500" STOCK MARKET ENCYCLOPEDIA

The Results of Standard & Poor's Multi-Million Dollar Research Over The Years Into The Investment Merits of The Widely Traded Common Stocks Included in The Famous S&P Index. Published in ONE comprehensive, easy-to-use 500-page volume that includes latest available Annual Reports information. This one-volume investor guide to stocks and possible stock market profits represents an extraordinary publishing achievement. Comprehensive reports on 500 of the most widely traded stocks...tens of thousands of important investment facts that answer practically any question regarding a stock...500 individual stock charts...only available directly from Standard & Poor's. You can now own this remarkable $22.50 ENCYCLOPEDIA and profit from its use without paying a single penny for it, when you accept a 6-week $15 trial to Standard & Poor's famous weekly Investment Service, The OUTLOOK! What's more, if at any time you feel you are not getting many times your money's worth from the weekly OUTLOOK, cancel it, receive a prompt refund on the unused portion of your trial, and keep the ENCYCLOPEDIA regardless.

YOUR BONUS

Investors Have Paid $22.50 For This ENCYCLOPEDIA



PARTIAL CHECKLIST OF VALUABLE CONTENTS

- Company's fundamental position
- Products and services supplied
- Profit picture over the years
- Profit potentials for the future
- Stock's market performance over the years
- How much profit per dollar of sale
- Current assets and current liabilities
- What is capitalization
- Recent developments affecting company
- Trading volume of stock
- Comprehensive dividend data
- Current outlook and prospects for leading stocks
- ...and
- Much, MUCH MORE!

MAIL COUPON TODAY

For Fastest Service, Orders only

CREDIT CARD HOLDERS
CALL TOLL FREE 800-257-7850
24 HOURS, 7 DAYS-A-WEEK
New Jersey Residents call 1-800-322-8650

Mail to Standard & Poor's Corp., 25 Broadway, New York, N.Y. 10004

Please enter my tax deductible 6-week Trial Subscription to the weekly OUTLOOK at only $15. Include the $22.50 BONUS STOCK MARKET ENCYCLOPEDIA OF THE S&P "500" at no extra cost! If at any time I wish to cancel my subscription, I will receive a pro-rata refund on the unused portion. The ENCYCLOPEDIA is mine to keep in any event.

name _____ please print clearly

address _____

city _____ state _____ zip _____

☐ **bill me**
☐ **payment enclosed**
☐ **I prefer to charge to:**

Account # _____ Expires _____

Signature _____

No assignment of this agreement without subscriber's consent. Ad: 4E0N3

HOW A PHONE NUMBER CAN BE YOUR "OFFICE" IN ANOTHER CITY.

Now there's an ingenious way to build your business in a distant city without the expense of an out-of-town office. It's done through an amazing advancement known as Remote Call Forwarding (RCF).

It Works Like This

The Bell System assigns your firm a local number in the city where you want to develop additional business.

Your customer looks you up in the local phone book and dials the number. The call is re-directed via Long Distance to your home office in another city. Or another state. There's no operator assistance, so there's no waiting.

Now you have a local presence—without spending a penny for space, furnishings, or personnel. And you're in White and Yellow Pages directories—at no additional charge.

Surprisingly Low Cost

What's the cost? It's surprisingly low—less than $22 a month, plus the low direct dial rate for each incoming call.

There's also a one-time service charge (for the connection in the distant city).

But there's no need for additional lines and equipment.

Note: We'll advise you on the availability of RCF in the market area you choose.

Open New Markets

But the real wonder of RCF is what it can do for your business. For instance, if you want to test out a new market, you don't have to open an out-of-town office. You open an "out-of-town office number"—with RCF.

Let's say you're an electrician. Potential customers receive your "local" advertising or look you up in the local phone directories. They call. You then make appointments and bunch the appointments into as

few days as possible. In this way, you build your market with the least expense and effort.

On the other hand, you may discover there's not enough business to warrant an office in a particular town. And you haven't lost a lot of money finding out.

Amazing Opportunities

But that's just the beginning of your amazing opportunities with RCF. Let's say you deal with customers in a distant town. With RCF, they don't have to call collect—so they feel more comfortable about calling. They feel you really want their business, and they tend to order more.

You can also use RCF to improve customer service, gain customer loyalty, and so build business. For instance, if you're a dealer with lots of retail customers in one town, they don't have to wait for a salesperson to call. They can order, get the latest prices, the newest deal.

Retail stores accept orders from surrounding cities. Stockbrokers get more calls from clients when they offer RCF. Truckers have learned to build up business in the city where they deliver, and so return with a load. And a whole range of other industries—manufacturing, business services, real estate, construction, loan companies, personal services, wholesaling, finance, and more—have discovered its power.

Here's More Help

In addition to RCF, your Bell business expert has all these other ways to help you manage your business better:

#1 800 Service. Generate direct response leads, using the toll-free 800 number. Improve service, speed orders. Expand market area, answer consumer questions, conduct product research, improve company image.

#2 WATS Lines for Small and Medium Businesses. Learn the most economical ways to buy WATS—by time, by area—and how WATS can build profits, improve customer service, and reduce selling costs.

#4 Selling Smaller Accounts. Instead of visiting distant accounts, sell by Long Distance. Reduce the cost of making the sale. Sell more accounts. Reach customers at the point where lowered inventory prompts them to buy.

#5 Handling Inquiries. Turn mail or phone inquiries into sales. Learn how to capitalize on a prospect's interest immediately with quick and competent action. Establish rapport that cannot be achieved by responding through the mail.

#6 Opening New Accounts. A tested, practical way to do it by phone. Total program covers everything from building a list and screening a prospect's interest to closing the sale.

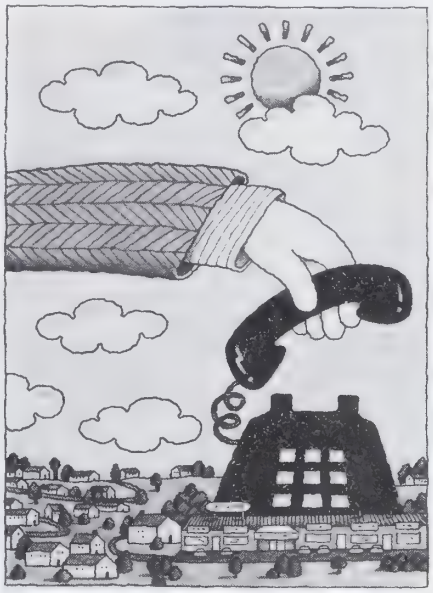
Bell System

CALL 800-821-2121,

Ext. 960

toll free anywhere in the contiguous United States. In Missouri, call 800-892-2121, Ext. 960.

A BELL BUSINESS EXPERT WILL TALK TO YOU. You can expect to have a relaxed, friendly talk. You'll discover whether RCF can be a practical, profitable plus for your business. To help you, we'll need information. So we'll ask questions, like the ones listed below. No surprises, nothing you won't have the answer to. You'll find the discussion thoroughly enlightening and enjoyable.



Q. What is your product or service?
Q. How many locations does your business have?
Q. What type of advertising/promotion do you use?
Q. How do you handle inquiries at present?
Q. Do you accept collect calls?

Q. Are you currently using services other than your local lines—such as WATS or Reverse Charge?

Q. Does your business have plans to meet specific business objectives, such as increasing market coverage or increasing market share?
Q. To how many cities would you like to expand market coverage?
Q. How do you currently test or expand market areas?

OR WRITE.

Fill in below or attach your business card and mail.

Bell System Sales Center
811 Main Street, P.O. Box 549
Kansas City, Missouri 64141

Yes, I am interested. Tell me more about:
☐ #3 Remote Call Forwarding

I would also like to know more about the subjects I've checked below.
☐ #1 800 Service
☐ #2 WATS Lines for Small and Medium Businesses
☐ #4 Selling Smaller Accounts
☐ #5 Handling Inquiries
☐ #6 Opening New Accounts

Name_____

Title_____

Company_____

Address_____

City_____ State_____ Zip_____

Area Code_____ Business Phone_____

800-821-2121, Ext. 960

To call toll free, dial 800-821-2121, Ext. 960, anywhere in the contiguous United States. In Missouri, call 800-892-2121, Ext. 960.

Bell System

960-005

Edited By Dero A. Saunders

Items of interest from issues of FORBES of 60, 50 and 25 years ago.

Sixty years ago in FORBES

What stamp of men will be selected as Cabinet ministers in the next administration? Both Harding and Cox are dubbed politicians. But at least both are business men second if they are politicians first. They clearly realize that the future belongs to the nation which can develop the greatest strength industrially and commercially. They also realize that governments can do much to make or mar prosperity. They realize, too, that business leaders know more about business than politicians do. Is it not, therefore, reasonable to expect that the next president, whether he be Harding or Cox, will pick for his Cabinet a proper proportion of business men recognized as possessing conspicuous ability? Running a government is not so very much different from running a business nowadays, so closely is industry woven into the national warp and woof.

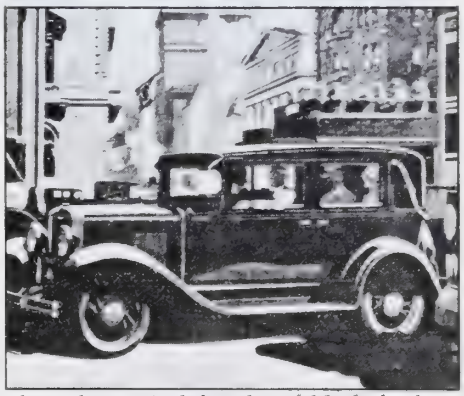
The best opinion as to the wave of business depression which has swept over the country is that it constitutes merely a temporary manifestation of a popular turn toward economy and revolt against the unreasonably high prices charged by many retailers. Such being the case, it is only natural to assume that sooner or later there will be a swing in the other direction caused by accumulated needs and savings. Underlying the whole business structure there are numerous deferred requirements, particularly those of the railroads, which will find expression with increased earnings. Bumper crops in various sections of the country will stimulate buying power in the Fall months. In fact, it is the opinion of business leaders that the autumn months will witness a resumption of public buying on such a scale as to precipitate at least a partial revival of the boom. But unconscionably high prices, let us hope, have been done away with.

How much does it cost for a department store to deliver a package for a customer? The National Retail Dry Goods Association, as the result of a questionnaire, found that it may cost a store anywhere from 5.5 to 30 cents. The average indicates that it costs a bit more than 12 cents to deliver milady's parcel.

Sixty per cent of the International Harvester Company's net profits in excess of 7 per cent upon invested capital will be distributed annually among the company's 40,000 employees, in accordance with a new profit-sharing and stock participation plan just announced. Workers will be divided into two groups, one including those in executive and managerial positions, and the other all those outside of this classification. The former will receive one-third of the extra compensation fund, and the latter two-thirds, part in the company's 7 per cent preferred stock and part in cash.

Fifty years ago

The decline in crude oil production in the United States has not only continued but has grown somewhat sharper in recent weeks. The latest report of the American Petroleum Institute shows domestic crude oil output in this country at 2,488,000 barrels per day. This is a decline of over 11,000 barrels per day in a single week and the latest figure is not only the lowest thus far in 1930 but the lowest in several years. Compared with the same week last year, recent figures show a decline of well over 400,000 barrels per day and have declined about 130,000 barrels per day since the latter part of June.



Chevrolet 1930 Club Sedan, $665 f.o.b. plant

In the motor group General Motors appears to be the outstanding stock. The new Buick, in the writer's opinion, is the best looking car they have had for some time, and it is likely to be a real business getter among cars in this price class. General Motors' earnings are well in excess of dividend requirements and in Chevrolet they have by far the best competitor of the Ford. The yield is quite satisfactory and with the many diversified interests outside of the automobile business that General Motors has, any improvement in general business, if only of a seasonal nature, should have a very advantageous effect on General Motors' earnings.

The long awaited appearance of Great Britain's newest and largest dirigible has finally materialized and the outstanding aerial event of recent weeks has been the westward crossing of the Atlantic Ocean by the R-100. Leaving Cardington, England, early one morning, the ship forced first South and then North o originally planned course but arrive Canada at approximately its sched time. The 4,000 mile trip was negoti in a generally successful manner an the satisfactory speed of little more t 50 miles per hour.

Already car-conscious to an extre Americans are rapidly becoming b conscious. No other pastime has such unprecedented growth as has p sure boating in the last decade. Boat development is steady, progressive, manent. It is not only reaching out to four corners of our own country, but i foreign lands as well. Indeed, the Uni States is putting the world afloat, jus it put the world riding on rubber tires

Twenty-five years ago

The condition of business today is markably good. New records keep be set only to be broken by next mont statistics. The normal summer slu has hardly broken the steady upw trend. Construction, both industrial a private, continues at a top level. Au mobile production has shown very lit decline. Retail sales continue apace a the steel industry, contrary to the nor pattern and expectation, continues roll along under a full head of stea There is every indication that the gr national production will not only exc that of 1954, but break the record peak 1953. All-time employment highs refl this expansion and a few weeks ago, the first time in our history, the to number of people at work has subst tially topped the 64-million mark.

Next big market payoff for pharmaceu cal industry may come from promisi new drugs for treating mental illne Philadelphia's Smith, Kline & French ported that 1955's first six months' pr its were double last year's $3.8 millic due largely to Thorazine, a mental illne drug put on the market last year.

In a year when mergers have to be sup size to attract more than passing atte tion, the U.S. appliance industry came with one last month that grabbed mc than its share of financial headlines. was a three-way meld tying togeth Whirlpool Corp., largest maker of hon laundry equipment, Seeger Refrigerat Co., and two appliance divisions of t giant Radio Corporation of America. add to the newsworthiness, $1.5-billi Sears, Roebuck was sitting in on the de as a big stockholder in both Whirlpo and Seeger.

Marcia Barry, housewife, talking about her husband Rick, marketing specialist at the Henkel Corporation.

"All of a sudden my husband was with Henkel."

My husband Rick

"I remember my feelings that day in 1977 when Rick and I learned that General Mills Chemicals was going to be acquired by Henkel. I was shocked. I didn't know Henkel, but General Mills was big and well known, located right here in Minneapolis. Rick had done so well with the company, working his way up to marketing specialist in the Resin Products Group, and we had that comfortable feeling that we had been with General Mills forever.

Rick must have sensed my insecurity, and maybe he shared it, because he began telling me about Henkel. After all, he said, Henkel is one of the great international chemical companies, with billions in sales and plants in who-knows-how-many countries. Besides, Henkel is strong in research and development, and emphasizes constant product improvement. For those reasons alone the companies should blend beautifully.

Now I know that Rick was right. I've learned that Henkel is one of the big, well-known companies of the world, and they're certainly doing well by us. Rick is still hard at work in resins marketing, for Henkel, and growing in his job. I'm especially happy because not too long ago we were able to buy a new home.

As a matter of fact, I'm beginning to get that comfortable feeling again, of being with the company forever. This time I mean Henkel."

The Henkel Corporation, Minneapolis (Minnesota) is one of about 100 companies of the Henkel Group, situated in more than 40 countries. Worldwide sales in 1979: 6.8 billion DM. 33,000 employees. Based in Düsseldorf, Federal Republic of Germany. Product range includes laundry products, household cleaners, cosmetics, adhesives, industrial cleaners, oleochemicals, auxiliary products for the textile and leather industries. Over 8,000 products for all walks of life.

Henkel

Chemistry working for you.

Sea power

SIR: Re your article on U.S. naval power *(July 21)*. A critical aspect of sea power that you did not develop is the presence of American merchant marine across the world. American ships flying the American flag with American officers and crews have the capability of sailing in and out of every port of the world on a weekly and more frequent basis, presenting the concept of "Sea Power" just as forceably as a Navy warship.

The American merchant marine needs help, and the U.S. will benefit as a result.
—George F. Lowman
Chairman,
Farrell Lines, Inc.
New York, N.Y.

SIR: The defense establishment is no less top-heavy with dreamy pencil-pushers than any other bureaucracy. I remember from my own military experience in the Vietnam War that Pentagon procurement officials were too gadget-happy. I recall using Korean War radar equipment because the brand new, superduper stuff was always "down" or too finicky to work right even when it was "up." The lesson then is to go for more bang from fewer bucks.
—Lawrence Gilinsky
Neptune City, N.J.

Tax-cut commitment

SIR: Re M.S. Forbes Jr.'s remarks about the effects of our tax system on incentives *(June 23)*. You recognize that we began to reform the income tax system immediately after we took office last year. The changes I have already made mean that our top rates of income tax are no longer out of line with other industrial countries. You seem less sure of my commitment to carry this policy forward.

For the future, I have made it absolutely clear that my intention is to make further reductions in direct taxation. I regard this as one of the cornerstones of my longer-term strategy.
—Sir Geoffrey Howe
Chancellor of the Exchequer,
London, England

A better way

SIR: Balanced legislation concerning Alaska lands is vital ("Let's Not Blow It With Alaska," *July 7*). However, to imply that S-9 is in fact balanced legislation glosses over the fact that the bill would not only prohibit development of important known Alaska mineral resources but would inhibit as well as deny developments in major areas of mineral potential. S-9 isn't the answer to your concerns. We will have to look to the next session of Congress for a reasoned resolution of the Alaska lands issue.
—Wallace McGregor
Spokane, Wash.

Half-pint publisher

SIR: We had lunch at a small truck stop the other day and my son ordered some chocolate milk. I was surprised to see my favorite publisher pictured as a half-pint.
—Ron Fandrick
Northfield, Minn.

Inflation factor

SIR: Re the quote from *U.S. News & World Report*, "Cushy Retirement Plan" *(Other Comments, July 7)*. Sure, the retirement check of today exceeds the salary of 1971. But the 1971 salary of $36,000 is now $75,000 or more, and today's retirement is only 60% or less of that figure.
—C.R. Bullock
Scottsdale, Ariz.

Compatible

SIR: The article "Xerox—back on the road to success" *(July 7)* could lead readers into thinking IBM's computer network offerings preclude non-IBM product attachment. We believe that IBM's Systems Network Architecture (SNA) can support a wide variety of non-IBM and non-SNA products. IBM's SN a comprehensive telecommunicat network facility that is capable of necting systems within a buildin around the world.

The article implies that a multi lion-dollar investment in a large com er is needed for an SNA network. customers can install an SNA net with small processors, at an entry only a small fraction of the implied timillion-dollar investment.
—Victor J. Goldberg
Vice President,
IBM
Armonk, N.Y.

Deficits cause inflation

SIR: Re "Why The Fed Can't Fine T The Economy" *(June 9)*. There is no relation between the federal deficit the inflation rate because it takes tin about two years—for money to through the system. If you plot the fe al deficit and the inflation rate two y later you end up with correlation pointed to ignore.
—Alan Pope
Albuquerque, N.M.

Real returns

SIR: The Streetwalker (FORBES, *July* erroneously states that "G&W report trading loss of $2.8 million last . . . and a loss of $3.9 million the before. . . ." As reported for the year ed July 31, Gulf & Western and its solidated subsidiaries realized a loss disposition of investments in securi of $368,000 in 1979 and a gain of $ million in 1978.
—Jerry Sherman
Director, Public Relations,
Gulf & Western
New York, N.Y.

Biting advertising

SIR: Re the battle of giants—M.S.Forl and John O'Toole of Foote, Cone & B ing—over tasteless advertising *(Fact Comment, June 9; Readers Say, July 21* quote John O'Toole's comment from ad he did for the *Wall Street Journal* Dec. 18, 1978, "If an ad is provocati interesting, intriguing, it's apt to cre some adverse comments. Consider alternative: advertising so bland the no bite."
—Jeff Kinsey
New Philadelphia, Ohio

"They want us to order 1,500 older goats?"

No, not older goats – *overcoats.* But due to a hastily written phone message, a lot of usy people will spend a lot of unnecessary time clearing up all the confusion.

Scenes like this are one reason many of today's more innovative companies are turn-ng to "voice mail" to streamline their internal communications.

Voice mail? That's simply a system which adds a elephone answering unit to the phones at key people's desks. So vhen they're away, callers can still leave a message – in their own vords – and not have to spend the time or money to call back.

With the world's largest and most respected line f telephone answering equipment, we've got plenty of answers bout voice mail. For the name of your nearest dealer, call 800-47-4683 toll free (in Oregon, Alaska or Hawaii, (503)774-1104).

CODE-A-PHONE®
America's getting the message.

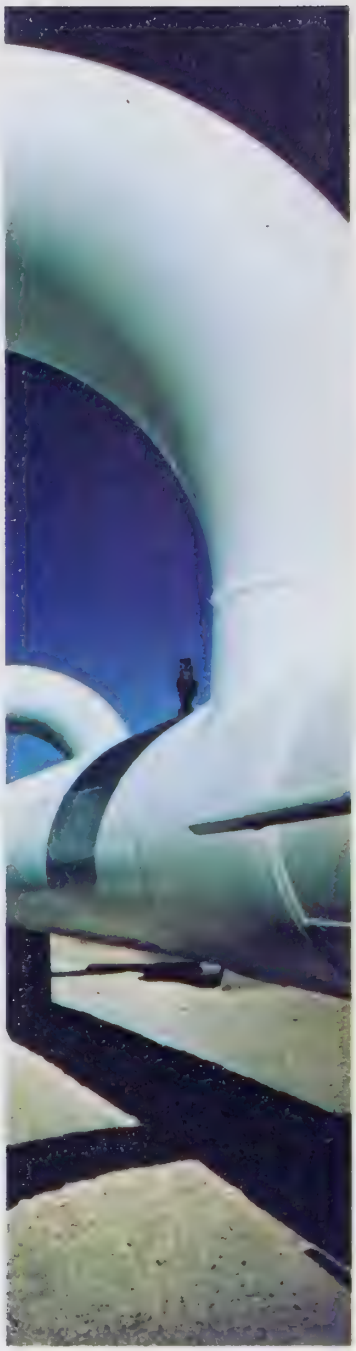
Code-A-Phone® is a registered trademark of Ford Industries, Inc., 5001 S.E. Johnson Creek Blvd., Portland, Oregon 97222. Printed in U.S.A.

The right mix at the right time

Fifty years ago we were a pioneering pipeline company. Today we're a diversified international complex of energy-based enterprises. This success is the result of careful planning, willingness to take appropriate risks, and the building of a solid, stable foundation for expansion. We're growing from there.

Gas is our cornerstone.

Our regulated natural gas business is the dependable centerpiece of our operations. Its long-term stability underpins our expansion into energy-related fields where the reward of taking risks has been success. Natural gas is also our own most valuable resource, providing the basis for most of the products we develop and sell.



Worldwide opportunity in liquid fuels.

It will be many years be
synthetic fuels and mo
exotic energy sources
a significant contributic
Natural gas and its de
tives must carry more
the energy burden in th
1980s. For InterNorth t
opportunity. For examp
we're completing a pla
Wyoming capable of
extracting 100,000 gall
natural gas liquids a da
And we'll be importing
fuels from the North Se
pursuing opportunities
build our worldwide tra

INTER

e got an edge
etrochemicals.

etrochemical business is
al. But we've got an advan-
Our petrochemical oper-
s use natural gas liquids as
naterials, rather than more
nsive crude-oil byproducts.
will help ensure that our
chemical products are
etitive in both U.S. and
markets.

Exploring pays off.
Forming our own exploration and production company was a sound investment. Last year we drilled 96 productive gas wells out of 144 tries, a good batting average in that high-risk business. Exploratory successes added 56 billion cubic feet of natural gas and 650,000 barrels of liquid hydrocarbons to our reserves. We're continuing to drill development wells and to aggressively drill wildcat prospects.

Coal's day is coming.
Coal reserves comprise about 80% of U.S. domestic fossil fuel resources, yet coal currently supplies only 19% of the nation's energy needs. We'll grow as the role of coal grows. We're mining now, and have 340 million tons of coal under lease.

Our complex of energy-based businesses combines continuing financial strength with realizable opportunities to further enhance our growth. Careful planning and bold execution built us today's strong position to seize tomorrow's opportunities – the right mix at the right time.

For further information call: Roy A. Meierhenry, Vice President and Treasurer, 402-348-4937.

NORTH

Northern Natural Gas Company ▪ Peoples Natural Gas
Northern Liquid Fuels Company ▪ Northern Petrochemical Company
Nortex Gas & Oil Company ▪ Northern Coal Company
Home Office: Omaha, Nebraska

THEORY:

A top corporate bank should be a leader and an innovator.

REALITY:

Long before energy became an issue or a crisis, Continental Bank was a leading lender to the oil and gas industry.

Twenty-five years ago we were pioneers. One of the few major banks with an oil and gas division. Today, we have one of the largest oil and gas portfolios in the world. And no bank, anywhere, has a larger oil and gas division or more expertise than Continental. It's what you expect from a top corporate bank. At Continental Bank, it's reality.

CONTINENTAL BANK

Continental Illinois National Bank and Trust Company of Chicago

Argentina · Australia · Austria · Bahamas · Bahrain · Belgium · Brazil · Canada · Colombia · France · Greece · Hong Kong · Indonesia · Italy · Japan · Kenya · Korea · Lebanon · Malaysia · Mexico · The Netherlands · The Philippines · Singapore · Spain · Switzerland · Taiwan · Thailand · United Kingdom · Venezuela · West Germany
United States · Chicago · New York · Los Angeles · Houston · Dallas · Miami · Cleveland · San Francisco · Denver

Fact and Comment

By Malcolm S. Forbes, Editor-in-Chief

REDUCING WHAT'S REDUCIBLE IN OUR GASOLINE CONSUMPTION

dn't lower by one meaningful whit our standard of living. 50-cent-a-gallon increase in the gasoline tax would much to further cut the quantity of gas we burn, and that would ribute significantly *to* our standard of living if, by that se, one includes the joy and power U.S. independence from C would provide to our country and to each one of us.

ır federal gasoline tax is a mere 4 cents a gallon vis-à-vis 3 per gallon in Italy, $1.65 in France and $1.15 in Britain.

ould such a tax be totally and unfairly regressive? Not rding to an International Monetary Fund survey, which shows that if a petroleum tax increase were to cost 10% of the income of those earning less than $5,000 a year, the burden for those in the $8,000-to-$20,000 income range would run 7.8% to 6.8%. The $50 billion to $60 billion added revenues would insure a balanced budget, finance a major part of the energy independence effort, cover the intensely needed additional military spending and have a little left over to rebate the genuinely Needy Cases that such an added gas tax might create.

Let us hope that after the political dust has settled, we'll get about the doing of this next year.

INCREDIBLE, INEXCUSABLE—AND CURABLE

hile we're fiddle-diddling dangerously on reinstituting a etime draft (which is going to be essential to avoid a ime one), we should at least—as instantly as Capitol Hill lo anything instantly—get the pay of service volunteers, cially technicians and noncoms, above the poverty level.

rd as it is to believe, as many as a quarter of a million nt military families are probably eligible for welfare. As 's first-rate report on the manpower problems of our armed forces points out, "Military base commissaries are taking in over $10 million annually in food stamps.

"Says Air Force Colonel Bradfield Eliot: 'When 16% of the Air Force can qualify for food stamps, patriotism doesn't make it as a motivator.'

"Complains a paratroop sergeant in Alaska: 'If the Government can give me $71 a month in food stamps, why can't it give it to me in salary?' "

PEOPLE TO PEOPLE IS NOT OUR PROBLEM WITH THE SOVIETS

cently I was asked if more personal contacts between ians and Americans, such as the one I had with the mayor oscow during our motorcycle trip through the U.S.S.R. last ner (FORBES, *Sept. 17, 1979*), wouldn't be most helpful in cing the problems and tensions between our countries.

e answer is No.

ring that 1,500-mile trip entering Russia at Brest to our it the Finnish border above Leningrad, we had countless n-to-person contacts with Russians remote from the over- en paths of Intourist Moscow. Not once did we encounter lity to us or to Americans per se. To the contrary, they ssed intense interest, eagerness for discussion, obvious respect and—often—visible admiration for the U.S.

Which isn't to say or imply that we came across outspoken opposition to their government's policies vis-à-vis the U.S.

Our confrontation with the Kremlin has nothing to do with, and won't be ameliorated by, numerous or innumerable contacts 'twixt Russians and Americans.

It is purely power politics between two diametrically opposed governing ideologies. Only raw, overwhelming military power makes Russia the other superpower, and friendly contacts between citizens of the two countries won't change that. Only restoration of our power to balance theirs could cause the Kremlin to pause in its way of Transgression.

IT DOESN'T MAKE SENSE, DOES IT?

you borrow money to buy a house, a car, a vacation or soever, you can deduct from your income the interest you n that debt.

-after paying your living expenses and your income tax— have any money left over and put it into savings or investments, you pay the highest income tax on whatever that money earns. Is it fair or remotely sensible to tax income from savings on which you have already paid income tax?

In a time of inflation, encouraging debt and penalizing the thrift on which capital investment depends is, plainly, foolish.

WHEN JORDAN'S KING HUSSEIN REPEATEDLY CALLED ME "SIR"

it seemed enormously flattering. The first occasion was when we carried him and his party aboard FORBES' Highlander on a trip up the Hudson River. In the course of the voyage I couldn't resist asking him all sorts of pertinent questions, accompanied by opinions (to which, as you dear readers know, I'm a bit addicted).

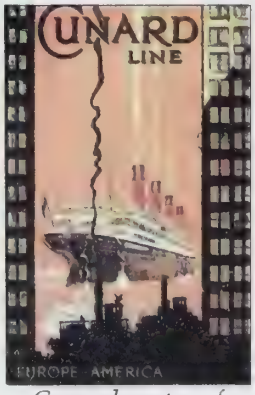
The frequency of "sirs" in his every sentence increased as time went on.

(l. to r.) *King Hussein, M.S. Forbes Jr., MSF*

It wasn't until I read Henry Kis singer's *White House Years* that understood why. Wrote the ever perceptive Henry K.: "Once I knev [King Hussein] reasonably well could measure his irritation at wha he considered insensitivity or bu reaucratic pedantry by the height ening of his legendary courtesy; hi use of the honorific "sir" woul multiply while he assumed a glacia demeanor."

WARMEST WELCOME TO THE REBORN S.S. FRANCE

Having just finished a nostalgic trip through *The Great Liners*, one of the first-rate Seafarers series by Time-Life Books, it was thrilling to see the long-laid-up S.S. France reenter New York Harbor as the completely refurbished cruise ship S.S. Norway. Soaring fuel costs and ever-greater wage requirements by unioned crews had combined with the devastating airline competition to knock out nearly all the big glamour liners and were even threatening the QE2. The demise of these transatlanticers was foretold in 1957 when Americans going abroad by air outnumbered for the first time those doing so by sea.



Cunard poster of the Aquitania

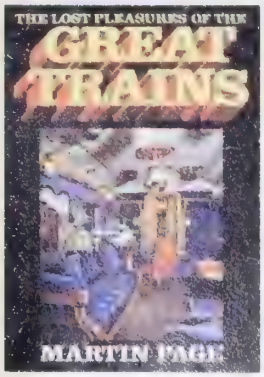
Canadian Samuel Cunard, turned on by the possibilities of ships propelled by steam, started regular transatlantic passenger service in 1840. Eighty-six years later, how well this editor remembers his own first crossing in the Cunard Line's flagship of the 1920s, the Aquitania. My brother, 8, and I, 7, spent most of the voyage racing up and down the sweeping staircases, harassing the elevator operators by pushing buttons disappearing.

Rivalry among the great nations for luxury and speed magnificent ships crescendoed just before the break of World War II: Britain, with its two gi queens, Elizabeth (83,673 tons) and Mary (81,0 France, with the Normandie (83,423) and Ile France (43,450); Germany, with Bremen (51,6 and Europa (49,746); the Netherlands, with Nie Amsterdam (36,982) and Rotterdam (24,1 Italy, with Rex (51,062) and Conte di Sav (48,502); and the U.S., with America (33,550) Washington (24,289).

For only a brief decade following World Wa did these splendiferous ships, fewer so big fewer in number, again vie for Atlantic passen honors. Now, fortunately, cruise business is bringing back gr ships—mostly new ones, but also the fabulous former Fran

'Tis a happy happening.

BOOKS



The Lost Pleasures of the Great Trains—by Martin Page (William Morrow & Co., $16.95). There have to be infinitely more pictures, drawings and lore about these fabled great trains than this disappointing book has managed to collect.

Excerpt: *The prospect of hunting [in India] drew visitors from the western world; and the railway administration catered to them imaginatively by having built and providing mobile shooting boxes . . . [these] would then be attached to a train going through the jungle, and often be shunted up a siding specially built to serve the needs of sportsmen, saving them as it did an arduous journey on foot to the lairs and watering places of the wild animals.*

Splendor in Exile—by Charles Fenyvesi (New Republic Books, $12.95). A chapter each on a dozen living ex-Majesties or Pretenders-to. It's hard, quite unsplendorous work, filling these jobs that don't exist.

Excerpt: *"In Bulgaria and elsewhere, Communist regimes are most unpopular, and consequently people tend to idealize the past," Simeon [former Czar Simeon II of Bulgaria] continues. "My father left an aura of popularity, and Bulgarians remember his wisdom." To be reme bered with kindness back at home is another emigré my and cannot be surrendered. "Should a power vacuum devel in Bulgaria, monarchy has a chance to return because peo may want a man for all seasons. I am available."*

COPENHAGEN REALLY IS WONDERFUL

one of the many wonderful things about the Danes' beguil- lively, lovely capital is that none of us who like a cigar with our coffee have the worry about lighting up—at least a third of the women will be puffing their cigars before we even reach for ours.

PASSING THOUGHTS ON A 61st BIRTHDAY

or not-so-strange reasons, as time hurtles me into my 60s thdays seem to come like every month, these days), it's n solacing, if not always inspiring, to collect the thoughts of ers on this business of what I now term middle-aging.

ke this observation by Frank Trippett: "Research has ned down some things about aging. One thing is that the less senility that is part of the common stereotype of the d is not common at all in real life. In fact, not more than 8% ld people suffer from it."

r this handful from a 76-year-old correspondent, Mr. Carroll th, in a letter to FORBES on the subject: "Now it takes me ger to rest than it does to get tired. Often have to sight nst something to see if I'm moving. I term it the Metallic e: silver in the hair, gold in the teeth and lead in the bumpty. my younger years I bemoaned the fact I was so short. Now every morning when I waken and everything hurts, I can be grateful. If I was tall there would be so much more to hurt."

And this analogy, by Bruce Catton in his memorable book *Waiting for the Morning Train*: "Early youth is exactly like old age; it is a time of waiting before a big trip to an unknown destination. The chief difference is that youth waits for the morning limited and age waits for the night train."

But the one I like best is this by a 92-year-old lady, quoted in Ronald Blythe's *The View in Winter*: "I'm lame because I've got arthritis and it is *the* most perfect nuisance. They took me to London to an orthopaedic surgeon for the hip operation. I said, 'Operate on both at once.' I knew nothing about it and just had a lovely sleep. I was 74. When you are 92 and you say, 'When I was 74,' it is almost like saying, 'When I was young.' "

Her comment makes old age seem decades away.

ONLY WHEN WE'RE RUNNING

out of it do we truly begin valuing time.

TO BE BITTER

is a waste of life that's short enough already.

THE EMERGING REPUBLICAN MAJORITY

By M.S. Forbes Jr.

What distinguished the recent Republican Convention from others this writer has observed in the past 20 years was not so much the Ford vice presidential caper or the fight about ERA and abortion. Rather, it was the possibility that the GOP, thanks to Ronald Reagan and some of his younger supporters, could become the dominant political party for the first time since the Great Depression.

Such a notion is not as fanciful as it may sound.

Since the 1930s, the GOP has had the reputation for austerity, for a Scrooge-like social conscience, for being unreceptive to new ideas and new concerns. The Democrats, by contrast, were the "party of the people," open to new, invigorating ideas, responsive to new problems.

But the old images are changing. There's a profound disillusionment about many of the economic and social trends in the U.S. in the last decade, especially under Carter.

This deep dissatisfaction has shaken traditional party loyalties and Reagan means to use it to effect a fundamental political shift similar to that of FDR during the Depression.

That's why the former Governor's acceptance speech was such a contrast to his rhetoric of the Sixties and Seventies. No mention was made of welfare chiselers or of OSHA horror stories. The content was positive, upbeat. The criticisms of Carter were direct and devastating. But Reagan also made sure to outline why the GOP would do better with the economy, inflation, energy and foreign policy, painting the Republicans as the party of economic opportunity and growth.

He wisely stressed the need for helping minorities, for providing "safety nets" and social services. Early in the speech, he emphasized that a Republican administration would push hard for equal opportunity for women—an obvious attempt to undo some of the damage done by ditching the ERA.

Opportunity for a political realignment is also why Reagan took care to depict Carter and the Democrats the way Democrats used to depict Hoover and the Republicans.

Of course, such addresses are traditionally full of generalities, but they can set the tone of a campaign, *e.g.* FDR's "New Deal" speech of 1932 and Goldwater's "extremism" speech in 1964.

Will it work? Can the GOP turn the tables on the Democrats?

That depends in large part on how persuasively, persistently Reagan follows through on the positive themes of his acceptance address. But the opportunity is there and Reagan, so often underrated by political pundits, was shrewd enough to sense it.

RESHAPING THE GOP

Why is the Reagan of 1980 so different in tone from the past?

Last year he began embracing ideas and themes developed by Representative Jack Kemp (R–N.Y.) and other young conservative activists. They have been taking the old concept of the American dream ("Opportunity, the chance to make it and to improve your life. . . .") and applying it to the modern world. No more bromides about austerity and balanced budgets. No more attacks on unions. Instead, the message was made positive.

As Kemp put it in his book, *An American Renaissance*, "A Republican revolution can only come as the GOP focuses its intellectual resources and political skills on generating a climate for economic growth."

Thus the Kemp-Roth bill, which would cut income tax rates "to restore the link between effort and reward"; thus Kemp's proposal to create low-tax "enterprise zones" to lure businesses into the inner cities, an idea being endorsed by a growing number of liberal Democrats.

By reshaping GOP conservatism as a positive force rather than merely a reactive one, Kemp and his allies have helped set the stage for a major political shift.

Other Comments

Often comments by others stimulate, irritate, abuse or amuse this editor's mind.–MSF

Btu Ins and Outs

The introduction of gasohol is being hampered by criticism that the amount of energy required to grow, transport and process the grain from which the alcohol is distilled exceeds the amount of energy it contains. . . . Rather than considering all Btu to be equal, it would be more realistic to consider Btu according to their value. . . . By using fossil fuels, generating electricity requires almost three times as many input Btu as are contained in the electricity produced. This net energy loss is greater than even the more pessimistic estimates concerning the production of ethanol, yet there is no question as to the desirability because the Btu in electricity are more valuable than in the fossil fuel used in its generation. Electricity has far greater versatility and is easier to distribute than fossil fuels. . . . The economic viability of gasohol will not depend on the energy balance in terms of input and output Btu. It will depend on the economic and social value of particular forms and sources of energy.

—Pasquel A. DonVito, economist, National Bureau of Standards, in the *New York Times*

Fish Story

"Mrs. P., a lovely soul from Quebec, says that she has a power in her fingertips that affects fish in her aquarium. When she holds her fingers at one end, the fish go to the other end. She calls it psychic; I call it frightened fish. I suggested she put some opaque paper over the end of the tank, and she wrote back and said, 'It's marvelous! The power doesn't penetrate brown paper!' "

—magician James Randi, quoted in *Omni*

Ford on Your Future

Henry Ford II called for a 50-cent increase in the federal gasoline tax, the first top auto industry executive to propose such a large tax increase. One-third of the revenue, which Mr. Ford estimated would total $50 billion, should be used to increase defense spending and another third to reduce scheduled Social Security tax increases. He said the remainder could be used to finance a new Reconstruction Finance Corporation and to reduce taxes for those unable to afford the more expensive gasoline.

—Associated Press

Few Dodge Draft

The U.S. is one of a small handful of industrialized nations with no system of compulsory military service. All but three North Atlantic Treaty Organization countries—Britain, Canada and tiny Luxembourg—meet their military manpower needs by means of conscription. . . . Even Europe's neutrals, Sweden, Switzerland, Austria, Finland and Yugoslavia, operate national-service programs that can subject a citizen to call-up duty until the age of 50.

The Soviet Union and all six of its Warsaw Pact partners demand relative long terms of military service from th young men. . . . Two years is required Red Army and Air Force recruits, wh Soviet sailors and border guards mu serve three years. Four of the other s pact countries, Poland, Czechoslovak Hungary and Bulgaria, draft citizens f at least two—sometimes three—yea Only in East Germany and Rumania draftees serve as few as 18 months.

—*U.S. News & World Repo*

If our last decade or two of co lapsing assumptions has bee a period of unusual discon fort, it is reassuring to kno that the human species ha lived through worse before.

—Barbara W. Tuchma

A Distant Mirr

Traveling in Comfort

Tzu Hsi, China's Dragon Empress, d cided that she would visit her nativ Mukden by rail. The preparations for th journey were daunting. Her Majesty ha insisted that the drivers and firemen b eunuchs, and it took some time to pe suade her that it was possible neither t castrate trained railway mechanics, no to teach men accustomed to acting a valets and waiters how to drive a trai safely, particularly in the time availabl She conceded the point, while still insis ing that the rule be observed that n servant should seat himself in the sam building—as the train was held to be—a herself. Therefore the engineers had t drive in an upright position, and to res had to lie down completely (thus ensu ing that they were at a lower level tha her imperial feet). The atmosphere o board the railway officials' coach wa one of fear. Her Majesty had insisted tha they should accompany her on the train so that if something did go amiss sh could order the execution of one or all o them forthwith.

—Martin Page, *The Los Pleasures of the Great Train*

No Dirty Hands

If only he'd wash his neck, I'd wring it.

—John Sparrow, *The Book of Insults, Ancient and Modern*

Cracking Up the Girls

Gloria Allred, 33, president of the Women's Equal Rights Legal Defense and Education Fund in Los Angeles, defending her group's sellout sponsorship of a $15-a-ticket male strip show: "When men strip, it's a joke, not exploitation."

—*Money*

Robert Day/SPORTS ILLUSTRATED © 1955 Time Inc.

OEING COMPUTER SERVICES' TSTRUDL PRODUCED 4 COMPLETE ANALYSES OR NEW RIGID FRAME IGH-RISE

Limiting deflection for drift control is a common structural engineering blem especially when the rigid frame structure is to be 24 stories tall.

Engineers for a new octagonal building chose a productive solution. ng Boeing Computer Services' GTSTRUDL (Georgia Institute of Technology ictural Design Language) they were able to produce 24 complete analyses...

In addition to automatic generation of the structure, GTSTRUDL produced cifications for wide flange shapes from tables stored in the system.

With this many alternative analyses to work with, the engineers were able se their experience and understanding to be the decision makers.

GTSTRUDL offers the structural design engineer an extremely cost effective ironment. It offers a service that is a highly productive engineering tool.

Boeing Computer Services offers engineers rapid access to multiple CDC BER and IBM computer systems via one of the world's largest privately naged communications networks. In addition to GTSTRUDL, BCS vides engineers a comprehensive line of analysis tools and support products uding graphics for a number of engineering applications covering a range of ineering disciplines.

To learn more about these cost savings opportunities, write or call: liam O. Sparks, Boeing Computer Services Company, 177 Madison Avenue rristown, NJ 07960 (201) 540-7786.

☐ Please send me literature on BCS Engineering Computer Services.

☐ Have your representative call and schedule a brief but productive meeting.

Name

Address

State

8FO 3

CS

OEING COMPUTER SERVICES

ision of The Boeing Company

Report from GTE.

More light

The whole country's over an energy barrel, right?

Not completely.

Take lighting. GTE offers more ways to save lighting energy than anyone else.

The savings can begin as quickly as changing a bulb.

What the watts are worth...

For almost every lamp, there's a Sylvania type that uses less energy.

Replacing a 400-watt mercury lamp with a 360-watt Sylvania Unalux™ lamp, you'll get 85% more light while you save 40 watts.

The World Trade Center replaced just a third of their standard fluorescent lamps with Sylvania SuperSaver™ fluorescents, and saved 7 watts per socket.

Maybe this doesn't sound like much. But it mounts up.

In fact, the World Trade Center saved $240,000 the first year.

Others use our Thrift/Mate™ fluorescent lamps to reduce energy consumption as much as 50%, with corresponding reduction in light level.

Saving by design.

Designing new lighting systems can lead to even greater savings. You can utilize the extraordinary efficiencies of such lamps as our modern high-intensity-discharge types.

For example, a 1000-watt Sylvania Super Metalarc lamp produces almost twice the light of a conventional 1000-watt mercury lamp. Think how much less an installation needing only half the lights would cost. Furthermore, the Super Metalarc™ light is very natural looking, so it can be used where color is important, as in supermarkets and clothing stores.

We're telecommunications, and then some.

Leadership. It's the position we like to aim for wherever we do business, whether it's for the 27,000,000 people we serve as the phone company or the many millions more who buy our Sylvania brand flashbulbs or TV sets or electrical equipment.

GTE is telecommunications. And a great deal more.

per barrel.

GTE

One Stamford Forum, Stamford, Connecticut 06904

SEAGRAM DISTILLERS CO., N.Y., N.Y.
Seagram's
Crown Royal
Fine De Luxe
Blended Canadian Whisky
A PRODUCT OF
Joseph E. Seagram & Sons Limited
WATERLOO ONTARIO CANADA
80 PROOF 750 ML (25.4 FL. OZ.)
Have you ever seen a grown man cry?

situation at Chrysler is desperate but not hopeless. Lee Iacocca y have precisely the kinds of cars that most Americans want.

Chrysler— a contrary opinion

es a certain amount of courage to an optimistic scenario for Chrysler but this longtime Detroit reporter hat a good case can be made for the al, perhaps even the return to pros- of what is still one of the world's t automakers.

t, now FORBES Washington bureau covered the auto industry nine for the *Wall Street Journal*, six for ew York Times* and is on a first- basis with most of the industry's g personalities.

By Jerry Flint

HAT LEVERAGES DOWN also leverages up. In autos, once you are past the break-even point, ofits mount fast. Chrysler, with a eaks, could earn as much as $250 n—nearly $4 a common share—in rth quarter of this year. By 1982, if mpany's optimistic projections pan may earn as much as $8 a share.

rly everything, of course, depends new K-cars, just going into pro- n. They could be precisely the ars. They will deliver an average of es to the gallon in city driving and comfortable as the traditional De- nodel. Unlike the new U.S.-made mpacts, moreover, the Chrysler Ks ve little foreign competition. The midsize, midprice cars—they will the $7,000-to-$9,000 range, where anese have been spectacularly un- sful. General Motors has already the way for public acceptance of e and price with its X-body cars; new, high-mileage line for 1981 is d at the low end of the market, against the tough Japanese than Chrysler's Ks (named the Plymouth Reliant and the Dodge Aries).

The company's break-even point is 1 million cars a year. In 1981 Chrysler will for the first time have the capacity to build 1 million four-cylinder, front-wheel-drive models. If they can sell them *all*, the company should be able to show a good profit for the year. Front-wheel-drive capacity will rise to 1.3 million in the 1982 model year and 1.5 million in 1983.

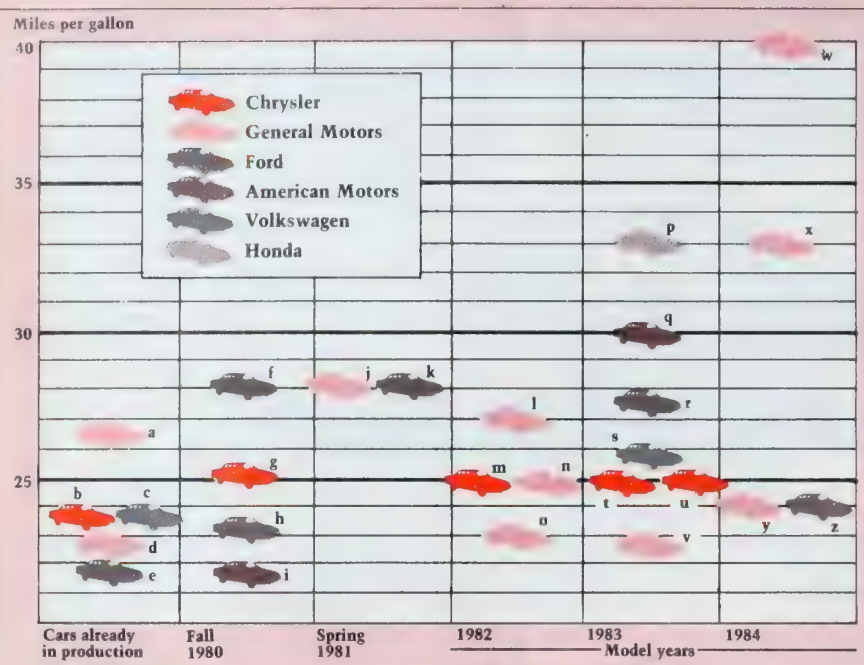
While Chrysler will be soaked in red ink for the full year 1980—about $1 billion—it is almost guaranteed to end the year on a highly profitable note. The big question is what happens once the novelty of the Ks wears off. "Without much help from the economy we surely are on course to drop from those horrendous quarterly losses which you see in the $450 million range, to zero or better," says Chairman Lee Iacocca.

Chrysler itself projects its fourth-quarter profits at $250 million. That depends on selling the 180,000 new K-cars it can build, which it probably will be able to do. Indeed, production was started two weeks ahead of schedule to get an extra 30,000 cars to sell and to pump another $60 million profits into the last three months. Selling 70,000 or so of the smaller Omni and Horizon minicars may be harder, and Chrysler still makes big cars and some of those will have to be sold, too—about 300,000 vehicle sales in all for the $250 million in profit.

Chrysler's new K-car, 25 mpg in the city and in production
"Our onslaught is a little ahead of their onslaught."

The A-to-Z schedule for high-mileage cars

Chrysler and Ford hit the market this fall; GM's new line appears in the spring. The challenge is to hold off the Japanese until the next big batch arrives, complete with diesels and front-wheel drive, in the '83 model year.



a. Chevy Chevette
b. Plymouth Horizon, Dodge Omni (FWD*)
c. Rabbit (FWD)
d. X-body cars (FWD)
e. Ford Mustang
f. Escort, Mercury Lynx (FWD)
g. K-cars, Plymouth Reliant, Dodge Aries (FWD)
h. Down-sized Granada, Mercury Cougar
i. SX4 (four-wheel drive)
j. J-body cars, Chevy and Pontiac (FWD)
k. Sporty cars, EXP and LN7 (FWD)
l. J-body for Buick, Oldsmobile and Cadillac (FWD)
m. Luxury K-body for Chrysler and Dodge (FWD)
n. Lighter mid-size models (FWD)
o. Lighter Chevy Camaro, Pontiac Firebird
p. American-made Honda (FWD)
q. Renault-type small car (FWD)
r. Mid-size car (the stretched Escort, FWD)
s. Jetta-like model (FWD)
t. Sports car (FWD)
u. Mid-size car (stretched K-body, FWD), diesels
v. Down-sized larger cars, B- and C-bodies (FWD), diesels
w. The electric car
x. Mini car (FWD)
y. Luxury sporty models, Eldorado, Monte Carlo (FWD)
z. Major down-sizing of large cars

* Front-wheel drive

Even if the sales and profits don't reach the projection, the figures could be impressive. Some 75,000 preintroduction orders for the K-cars, largely from commercial fleet buyers, have been written. There's a new luxury Imperial due this fall, too, and if that seems like the wrong car at the wrong time, Iacocca says he need sell only 25,000 to net $125 million for the year.

After 1980, Chrysler's aftertax profit (millions) projections look like this:

1981	1982	1983
$247	$575	$284

Treasury analysts, more conservative, make these estimates (also in millions):

1981	1982	1983
$136	$556	$44

Why the sharp drops in the 1983 projections? They assume that there will be a seasonal slump sometime, and 1983 was the arbitrary pick. The government also has another set of projections figuring on additional financing charges, dropping the profits about $50 million in each of the next two years, but still leaving Chrysler in the black.

Carefully hedging, the latest government report justifying the $1.5 billion in loan guarantees says:

"Although the determination has become increasingly closer, the analysis continues to demonstrate a reasonable prospect for the ability of Chrysler to continue operations as a going concern in the automobile business."

There are some other favorable factors:

- The St. Louis car plant will be converted to fuel-efficient-car production for fall 1981, a year ahead of schedule, which should help sales whatever the economic conditions.
- The purchase of diesel engines from French Peugeot, to arrive for the 1983 cars, will move Chrysler models to the peaks of high mileage, which again should rub off on sales, as the 40-mpg Volkswagen diesel probably lifted all VW sales by boosting showroom traffic.

While gambling heavily on the K-cars, Chrysler is not simply going to throw this one punch and then relax. In the fall of 1981 there will be luxury models of K-cars under the Chrysler and Do nameplates. But in fall 1982 there wil a new full-size car, a stretched versio today's K models delivering 25 mp the city and more with diesels. Th will be a new sports-type car lool much like the latest Porsche but sel for about $8,500 (in today's dollars) volume projected at 200,000 to 250,0 year. "A lot has been said about Gen Motors' onslaught of products com We have an onslaught as well, an many cases our onslaught is a little al of their onslaught," says Harold Sperl executive vice president. "We're looking for pie in the sky; 11% to 12 the [domestic-make] market are the l of numbers we're planning on," he a "All front-wheel drive will give us a r sive reduction in plant complexity, s 30%, which is critical in terms of profitability, to get complexity out of plants. Our variable margins, the di ence between revenue and variable co will improve by some $600 a unit the next four years."

One problem Chrysler hasn't been to lick is the avalanche of bad public A typical week for Chrysler Corp. goes something like this: On Mon unnamed Treasury Department offic will leak out that the automaker's th quarter loss will be greater than fore six months ago. On Tuesday there report Chrysler will lay off 1,000 wh collar workers. Wednesday an ana will say that the company can't survi the Japanese capture most of the U.S. market. Thursday will be the rumor the financial subsidiary is about to sold to raise money. On Friday Chry will announce that the advance or for its new fuel-stingy K-cars are gr ing. There's the problem: The *good* n won't make TV, and on the week dealers will be telephoning Lee Iac complaining that the bad publicity scaring away customers. Chrysler losing 100 dealers a month in the spr the attrition is down to about 5 month now but the dealer total is ab 4,000, from 4,400 at the year's start.

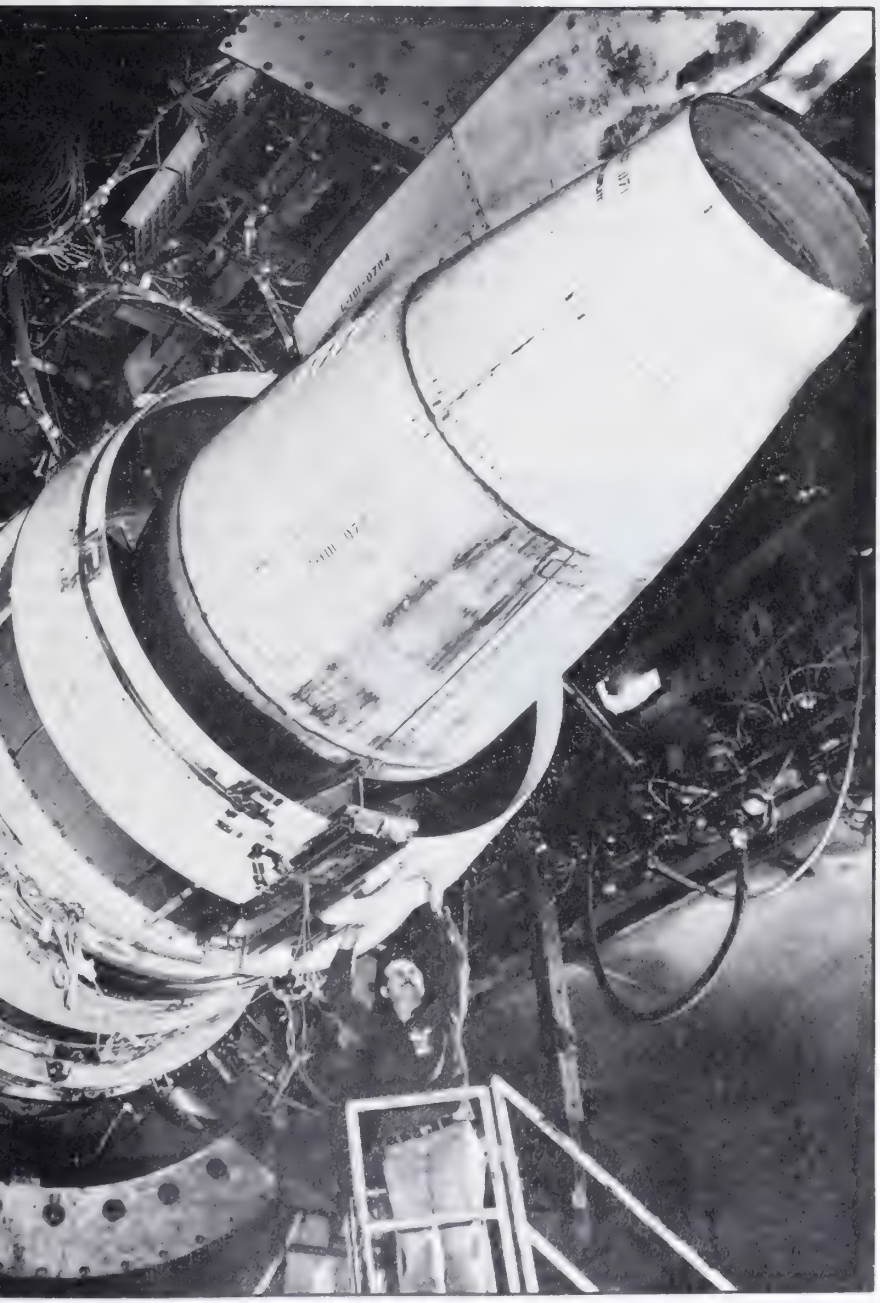
"If only we could get off the front p about going bankrupt," moans Iaco The sales of Chrysler's little Omni Horizon four-cylinder cars, just the Americans are buying today, sag u the publicity. "Anything upbeat i published," Iacocca complains.

That's an old complaint about press. There's a measure of truth i We always love bad news best. But Iacocca, in protesting the one-si news, may give the self-defeating pression of a man who just keeps prot ing too much.

Chrysler is betting that most Am cans will opt for as big a car as is c patible with a measure of fuel econo Bad press or not, might it not be right

lines badly need more fuel-efficient nes; the U.S. seems ready to rearm. Think the new jet engines all this will require. o's going to grab the market?

Jet wars



Whitney's JT9D aircraft engine
ominant big commercial jet-engine maker now is in a real dogfight.

By Howard Rudnitsky with Gerald Odening

When McDonnell Douglas Corp.'s quarterly board meeting concluded July 25 without a definitive decision on its long-discussed plans to build a new airliner (Forbes, *July 7*), Wall Street analysts weren't the only ones with that letdown feeling. For United Technologies Corp., the $14 billion (revenues) industrial conglomerate, it meant a few more months of cliff-hanging suspense.

The reason: If McDonnell Douglas eventually goes ahead with its Advanced Technology Medium-Range transport, a 1990s airliner that would compete with the Boeing 757, it could be the last big chance UT may have in this decade to hold on to its dominance of big commercial airliner engines. The ATMR could provide an initial market of $3 billion. And UT's Pratt & Whitney, because of its JT10D engine now under development, could bag the lion's share.

The big commercial aircraft-engine market, which could amount to $25 billion in the 1980s, used to be one of those comfortable hegemonies enjoyed by a single U.S. company. In this case, the company was Pratt & Whitney, which furnished engines for the Boeing 707 and 727 and the Douglas DC-8 and DC-9, and thus, ten years or so ago, for 80% of the world's jet airliners.

No more. Out of nowhere, General Electric has turned the big-jet-engine business into a donnybrook. The next few years may determine whether Pratt & Whitney can protect its dominance of a business that last year alone, according to Paine Webber Mitchell Hutchins analyst Robert T. Cornell, accounted for around 20% of its parent's $695 million in operating profits. With military and small engines added, the jet business accounts for about 45% of those profits. Much larger GE has much less at stake proportionately—under 9% of its $2.1 million 1979 operating profits came from jet engines. For the third member of the Big Three in jet engines, just about everything is at stake; Britain's government has had to ante up $400 million in aid for Rolls this year alone.

How did it happen? In the early 1970s, GE was virtually no factor in the big-jet market. Its ill-fated Convair 880/990 program (with General Dynamics) in the Sixties probably cost GE over $150 million. But by the 1970s P&W was having problems, too: Boeing kept increasing the design weight of its new 747 until it exceeded the original thrust requirements of P&W's JT9D engine. GE and Rolls both had fuel-efficient engines available for the overseas 747 market, where airlines couldn't afford to wait for an improved JT9D.

Eventually, most U.S. airlines wound

Move over, you two

General aviation used to be the poor relation of the aircraft industry, but as the deregulated major airlines drop cities as sizable as Bakersfield, Calif. and Newport News, Va., the commuter airline industry is growing 10% to 13% a year. Business jets, more necessity than perk these days, will double in number to 6,000 by 1990.

At about $3 billion to $4 billion this year, the commuter and corporate engine market will probably triple during the same period. With a 50%-to-60% share, United Technologies' Pratt & Whitney of Canada dominates—the way P&W used to dominate big jets. Garrett AiResearch, a subsidiary of Signal Cos., is second. General Electric is third—for now.

The biggest part of this market is turboprops—propeller engines driven by gas turbines. P&W-Canada holds the largest share of the world turboprop market, which Aviation Data Service Inc. estimates at 13,000 airplane engines. Less than half are Garrett's; GE is hardly in the market. But, cashing in on its military technology, GE is now developing a commercial version of its successful T700, used in military helicopters. In turbofans, the small pure-jet engines that power top-of-the-line corporate planes like Learjets, GE now has an 8,600-pound thrust class CF34 (used on Challenger aircraft) that will compete with Garrett's successful TFE 731. Turbofans are a $500 million market that GE virtually abandoned in the early Seventies when it decided not to update the type of GE engines used in the original Learjet. Says Mal Craig, director of propulsion programs for Garrett: "For the last ten years, GE has played dead. In the next ten, they won't."—*Gerald Odening*

up with modified JT9Ds on their 747s. By that time, though, Douglas had decided to go with GE's CF6 engine on the DC-10, which a busy P&W chose to ignore. Later Rolls-Royce got its RB 211 on the Lockheed L-1011 TriStar. And, as a result of a temporary technological lead, GE developed a version of the CF6 that now powers the European-developed Airbus A-300. Though P&W has orders on the follow-up A-310 Airbus, the damage has been done.

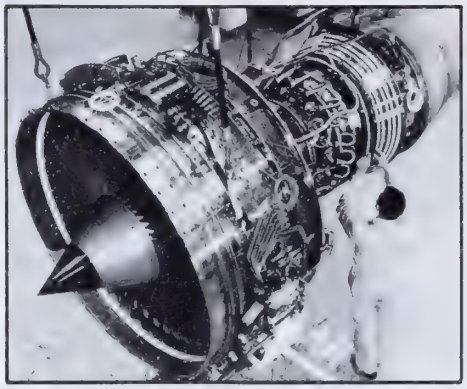
In the process, GE was building up its capabilities. Says security analyst Cornell: "In commercial engine technology, GE has now reached parity with Pratt & Whitney." This neck-and-neck competition has resulted in a close fight for initial orders for engines on the Boeing 767 medium-range jet, potentially a $4 billion market. It appears to be a GE-P&W standoff so far, with each side accusing the other of buying market share at a loss and of giving away generous tooling and warranty concessions.

UT is making strenuous efforts to preserve its big lead. In the mid-Seventies, Chairman Harry Gray plunged P&W into the development of an all-new, state-of-the-art jet engine, the JT10D. It is aimed at both the long- and medium-range market—planes like the Boeing 757 or McDonnell Douglas ATMR. Cost? About $1 billion to develop and bring on volume production.

It takes about a decade now from conception to full-scale production on a major new engine. Since the JT10D may not be certified by the FAA until early 1984, GE and Rolls-Royce, even with their less fuel-efficient engines, may well get first cracks at the Boeing 757.

P&W will still have to develop customized versions of the JT10D because, while it was designed for a general market, it was not designed for a specific plane. "That's the way it's done in the commercial engine business," says one engine executive. That's why it's so risky.

Traditionally, the lucrative existing spare-parts business has helped offset the



GE-European CFM-56 engine
A piece of the action, too.

costly R&D for new jet engines. Analyst John Simon of Los Angeles' Crowell, Weedon estimates that UT's spare-parts business may have accounted for most or even all of its large-jet engine operating profits in 1979. The large-engine business is like the razor and the blade, according to Simon: "You make most of your money on the blades." In fact, operating margins on commercial spare parts have been estimated to run as high as 30% to 35%.

But now, in the heat of competition, commercial customers are trying to whiplash the jet-engine companies the way Detroit squeezes its auto-parts suppliers. Says William Rodenbaugh, (aircraft group strategic planner: "To the airlines want a package, with p caps on spare parts." Too, Rodenba says, improved technology has brou about engines that last longer and req less costly overhauls. The result: a c ing squeeze on spare-parts margins.

What about Rolls-Royce? Can it the heat of this fierce struggle? To vive, Rolls-Royce will need contin support from the British governm but it will have to step up its foreign j venture deals as well. In one such d Rolls is joining with three large Japa firms to develop the jets for a 130- twin-engine passenger plane, the kin smaller-plane market anticipated by 1990s. The expected cost: $650 mil just to gain certification, about a fo of it from the Japanese government.

In the early Seventies GE and Fran SNECMA joint venture produced CFM-56 engine. More recently, P the Germans and Italians began deve ing an engine for the ATMR and 757 foreigners won't only be satisfied w their own markets; with governm help they will go after exports.

If all this were not enough, GE is st ing to challenge P&W in the milit market as well. Here, too, P&W has a at stake. Take its advanced F-100 eng used on all F-15s and F-16s. The F- has had some highly publicized p lems—stalling, blade cracking, and t perature and pressure anomalies. P has remedied most of the problems, they were of considerable concern; th 100 is important to UT's profitabil Partly because of it, UT's governm products division is currently boomi next year its pretax operating earni could climb over $200 million, while somewhat larger commercial produ division's earnings will be below 19 $145 million because of heavy JT1 development costs.

Beyond current military programs is looking for future markets—engi for planes like the F-18 and other n overseas fighters, or for a new bom that could be up for grabs from the m 1980s on. The market potential for th new programs over ten years could over $6 billion.

To crack UT's military hammerl will be extremely tough. The only vanced engine program that GE has far is on the Navy's Hornet fighter. GE won't give up easily. Engines are of the three areas it has decided to p over the next decade (the others: natu resources and engineered plastics). along with big engines, it is also mov ahead in small-aircraft engines *(see b* and is already a major force in milit helicopter engines. Prospective rear ment justifies the effort and exper Just as in commercial markets, stakes are enormous. ■

the post-Shah world, Iraq has replaced Iran as the second-biggest EC oil producer. But when its ruler dreams of becoming the leader he Arab world, he is suffering from delusions of grandeur.

Iraq: The oil, c'est moi

By Lawrence Minard

ADDAM HUSSEIN AL-TAKRITI is like Baghdad's summer heat: omnipresent and ppressive. No matter where you a hotel lobby, government office or rug-seller's stall in porticoed Ratreet's old *souq*, there is no escape poster-size photographs of Iraq's or—only recently proclaimed presibut its longtime strongman. Sad-Hussein with his medals looking Saddam Hussein in his blue suit g businesslike; Saddam Hussein l in a red *kaffiya*, holding an Arab his lap, looking like The Great Father.

get most of what you've read lately Iraq's new "moderation," its "tiltward the West," as *Newsweek*'s Eu- edition recently put it. The real n Hussein is the one in the first e: tough. His fantasy is contained third poster. Saddam Hus--Takriti's ambition is to be-The Great Arab Father. He to be for the 1980s and what Gamal Abdel Nasser r the 1950s and 1960s: the inent Pan-Arabist, the leadn as-yet-unborn third force Soviets and Americans to f his turf.

Americans who are wonderhether to trade in their old ters for smaller cars, puzover the options for investment, ess and public policy for the second of the energy crisis, Hussein is a o reckon with. A man to worry He is no friend of the West. But Iran in collapse his country has e, after Saudi Arabia, OPEC's secrgest oil producer. Hussein, if he old on to power and realize his ion, has the key to your gas tank.

re 1973, with $3-a-barrel oil, Iraq ttle more than a poverty-stricken, ce-prone footnote to Middle Eastairs. While clumsily nationalizing industry in the 1960s and early 1970s, successive Iraqi governments allowed the Iraqi Petroleum Co. to produce only from known fields without bringing new fields into production. In 1968 when Saddam Hussein's Arab Baath Socialist Party grabbed power, Iraq produced just 1.5 million barrels of crude daily, less than 5% of OPEC's total.

But today, Iraq is an oil superpower. Its average daily production last year was over 3.4 million barrels—some 11% of the OPEC total—well ahead of countries like Kuwait and Nigeria *(see chart, p. 40)*, and 50% more than Iraq needs to finance its ambitious development plans. French oil officials say Iraq could double its 4-million-barrels-a-day production capacity by 1990. Iraq's oil revenues last year were around $23 billion, up from $5.7 billion in 1974. Even without price or production rises this year, 1980 oil revenues should easily exceed $30 billion—$2,400 for each Iraqi.

Reserves? Officially they stand at 40 billion barrels, enough for 30 years at current production levels. But most analysts believe the country's recoverable reserves are well over 100 billion barrels. If power grows from oil wells, Iraq is a potential world power. Sitting in his heavily guarded Baghdad palace, Hussein dreams of flexing that power.

Give this to Hussein: In economic textbook terms, he is investing Iraq's oil wealth about as efficiently as can be hoped for in a country that combines an insufficiently educated Muslim population with the inherent inefficiencies of highly centralized party planning. As in most oil states, Iraq's idea is to channel the crude oil wealth into the creation of refineries, steel mills, agriculture, cement factories, as well as sundry infrastructural programs—schools, hospitals, roads and the like. Instant industrialization. Over the last five years, Iraq has spent around $40 billion on it. For 1980 alone the development budget has been allocated $17.8 billion, though Iraq's huge foreign exchange holdings—probably over $30 billion—suggest not all the allocation will be spent.

Iraq refuses to have diplomatic relations with the U.S.; Hussein is a hardline member of the so-called Rejectionist Front, which wants to destroy Israel. Yet despite Iraq's fiercely anti-American rhetoric (and U.S.-imposed obstacles to trade with Iraq), American businessmen are picking up fair chunks of that development spending. No matter where you look you see American exports: Boeing jets for Iraqi Airways (a $60 million order for three more 727s is bogged down in U.S. Senate hearings), shiny brown Chevrolets for Baghdad's police force, a huge new Sheraton rising on the banks of the Tigris, Bloomfield, N.J.-based Lummus Co.'s $1.1 billion contract (with Germany's Thyssen) for a 140,000-ton-capacity petrochemical complex near Basrah in the south. Direct U.S. exports to Iraq came to $442 million last year, double the level in 1977. But for Hussein, money and politics go together. Consistent with the strategy of driving a wedge between Western Europe and the U.S., Hussein gives the lion's share of export orders to the countries that take his oil: $950 million for France last year, $1.1 billion for Italy.

So Americans should not conclude that Hussein is becoming more pro-Western. "This [increasing western imports] does not mean we are 'tilting toward the West' as you put it," says Dr. Assam al-Chalabie, a top man in Iraq's oil ministry. "It only means we will go wherever we must to get the best equipment we can. America, Europe, Russia, wherever. We are not afraid to do business with anyone."

Hussein *must* develop quickly. He sits

on a time bomb. Iraq's population—currently 12.5 million, not counting perhaps 1 million imported workers, mostly Egyptians—is growing at the vertiginous rate of about 3.5% a year. Nearly 50% of those 12.5 million Iraqis are under the age of 15. Without new jobs the country would quickly disintegrate into chaos.

Unlike Iran's explosive growth under the late Shah, Iraq's growth is carefully regulated. "We take a completely different view [from the Shah]," says University of North Carolina-educated Hikmit al-Hadithi, a power in Iraq's Ministry of Planning. "Basically, we watch the development of per capita income in the country. We upgrade the lower people and keep an eye on the rich; the rich are not free to move that much. So the gap is narrowing." He means the gap between rich and poor, not Iraq and the West.

Saddam Hussein addressing Kurds
It will take more than words and money.

While there is a great deal of propaganda in such claims, there is also a measure of truth. A German farm equipment salesman who has been calling on the Middle East for a decade describes Iraq's development this way:

"In Saudi Arabia and the Gulf, *everything* is done by the Americans, with the bedouin standing by watching with their hands out for *baksheesh*. Iraq has worked hard to come out of its poverty on its own, and has developed its own managerial class. If the West were not available to them, things would get bad for a while. But it would not collapse as it would in Saudi or the Gulf."

The German salesman says at least 15 Iraqi officials have been executed this year for corruption. But again: Don't be misled. Iraq's development plans are fatally flawed. The Shah fell before the forces stirred up by his over-fast and poorly thought-out development plans. Hussein, by contrast, will likely fall before the forces he is trying to keep pent up. Under the Shah, the gap widened between rich and poor. Under Hussein the gap has widened between those in power and out. The officials executed for "corruption"? In Third World rhetoric, "corruption" as often as not is a euphemism for political deviation.

The situation is simply this: President Saddam Hussein has emerged as one of the most brutally repressive rulers in recent history. Amnesty International has a list, by no means exhaustive, of 257 reported executions during 1978 and 1979. For just six weeks this spring, the group added over 100 more names to the roster. That is on a par with the number of executions this year by Ayatollah Khomeini's "revolutionary" courts.

"The problem with talking about the economic future of Iraq is that you must always make a *political* assumption about the country," says economics Professor Edith Penrose of France's Institut Européen d'Administration des Affaires, one of Europe's ranking Iraq scholars. "Hussein is so repressive that I doubt he will be around very long, certainly not ten years."

For at least three years now, Saddam Hussein has been steadily narrowing his political base. First to go was the strongly pro-Moscow Iraqi Communist Party. In March 1978 the Iraqi Communist Party criticized the Baathists' increasing trade relations with the West. A month later, Hussein's "revolutionary courts" ordered the execution of 21 top ICP members, allegedly for organizing illegal Communist cells within the army.

Next in line for purge was Hussein's own Baath Party. On July 16, 1979, General Ahmad Hasan al-Bakr, 65, stepped (or was pushed) down from the Baath Party presidency. According to the most widely believed reports, several relatively moderate Baathist leaders were unwilling to transfer the presidency to Hussein without an election. So Hussein declared a "conspiracy" against the party and revolution, and on Aug. 8, 1979 brought together several hundred Baath Party officials to watch and help in the firing-squad execution of 15 top party leaders. Another 6 were reported killed elsewhere. Saddam Hussein is one of the few rulers today who hold power with methods reminiscent of Chicago's gangland in the 1920s.

Among the dead: Adnan Husain al-Hamdani, the former minister of p ning appointed just weeks earlier t the party's number two man; Muh mad Mahjoub Mahdi, Minister of Ed tion; and Muhammad Aish Hama former industry minister.

Then there are the families of the demned. "What Hussein does," sa prominent Iraqi who now lives out the country but requests anonymit protect his family still inside the c try, "is to 'investigate' families 'to fourth degree,'" meaning the gov ment persecutes a family out to fourth cousin. "Not even the Nazis that far. . . . Believe me, no Iraqi imagine a worse leader than Huss except for Idi Amin." These poli demonstrate the degree to which sein has been narrowing his poli base of support. He enjoys no legitim the way Nasser did. Hussein's bas now so narrow that, says one well- nected Iraqi, four men now rule the c try: Saddam Hussein al-Takriti; sein's half-brother, Barzan Ibrahim Takriti, chief of internal intelligence first cousin and brother-in-law, Ad Khairallah Talsah, minister of defe and his half-brother, Sabawi Ibrahim Takriti, believed to be head of the B

Kurdish insurrectionists
A separate tongue, a separate nation?

Party's militia.

What you have, then, is old-fashio Iraqi tribalism masquerading as "A socialism," repressive social con passing for "social stability." Nor i likely that Hussein can ease up on reign of terror. Revenge is still a powe motivating force in Iraqi social life. Hussein to ease up would be to exp himself. He is trapped in a repress web of his own making.

ported chiefly by his relatives and wn smoking gun, Saddam Hussein kriti has two key disgruntled groups ntend with: the Shiite Muslims, account for around 55% of Iraq's ation, and the separatist Kurds, account for about 15%; the Kurds tride much of the oil. Both these s move to the rhythm of events g place not only within but also ut Iraq's borders. With instability ng across Iraq's borders with Iran, y and Syria, Saddam Hussein's hand is now falling on Iraq's s and Kurds as well as the Commu- and Baathists.

Kurds' quest for autonomy in rugged, oil-rich north has been ad's recurring nightmare. Under e Mulla Mustafa Barzani, the Kurd- emocratic Party nearly won Iraq's ivil war (1974 to 1975); Barzani's the *pesh mergas* (literally, death s), collapsed only in 1975, when the of Iran agreed to cease aiding the . Three years later, a grateful Hus- bliged a nervous Shah when the asked that Ayatollah Khomeini, n obscure exile in Iraq, be expelled. irony!

e the Kurdish rebellion collapsed, Hussein revealed his iron fist. He quickly moved tens of thousands of Kurds to the south, cleared a five-mile-wide buffer zone along most of the Iranian border, and began massive industrial developments around the Kurdish towns of Mosul and Erbil in an attempt to buy the Kurds' affections. Projects worth nearly $400 million were completed in the region last year, and this year its investment allocation is $1.1 billion. Hussein recently allowed the relocated Kurds to return to the north—but only to preselected villages where they could be watched. Today Iraqi Kurdistan is crawling with Iraqi army troops who enforce a de facto 7:30 evening curfew. Iraqi and western diplomatic sources believe that unless Khomeini can repress Iran's Kurds, serious fighting between Baghdad and the Iraqi Kurds could well start in the autumn.

Aren't Iraq's Kurds satisfied with their higher standard of living and the considerable autonomy Saddam Hussein has promised them? Replies one western diplomat: "The way the Kurds see it, autonomy means they can't live where they want and they have an Iraqi occupational army pushed down their throats. So where has autonomy gotten them?"

There is a second Khomeini-related problem on Hussein's mind. Iran's Muslims are mostly Shiites. So is 55% of Iraq's population, though Saddam Hussein and most leading members of his Baath Party are Sunni (literally, traditional). Will the Iraqi-regime-hating Khomeini incite Iraq's Shiites to join his "Islamic revolution"? The fear is probably exaggerated. Iran's Shiites are a much larger portion of the population than Iraq's. Nonetheless, Hussein is afraid and has been repressing Iraq's Shiites mercilessly.

Item: Last March, as a new wave of political unrest swept Iraq, Hussein's forces rounded up some 30,000 Shiite men, many of them second- and third-generation *Iraqi* Shiites, and expelled them to Iran. Homes and property were seized. The women and children were left to fend for themselves. This followed the expulsion of nearly 70,000 Iranian Shiites in 1972.

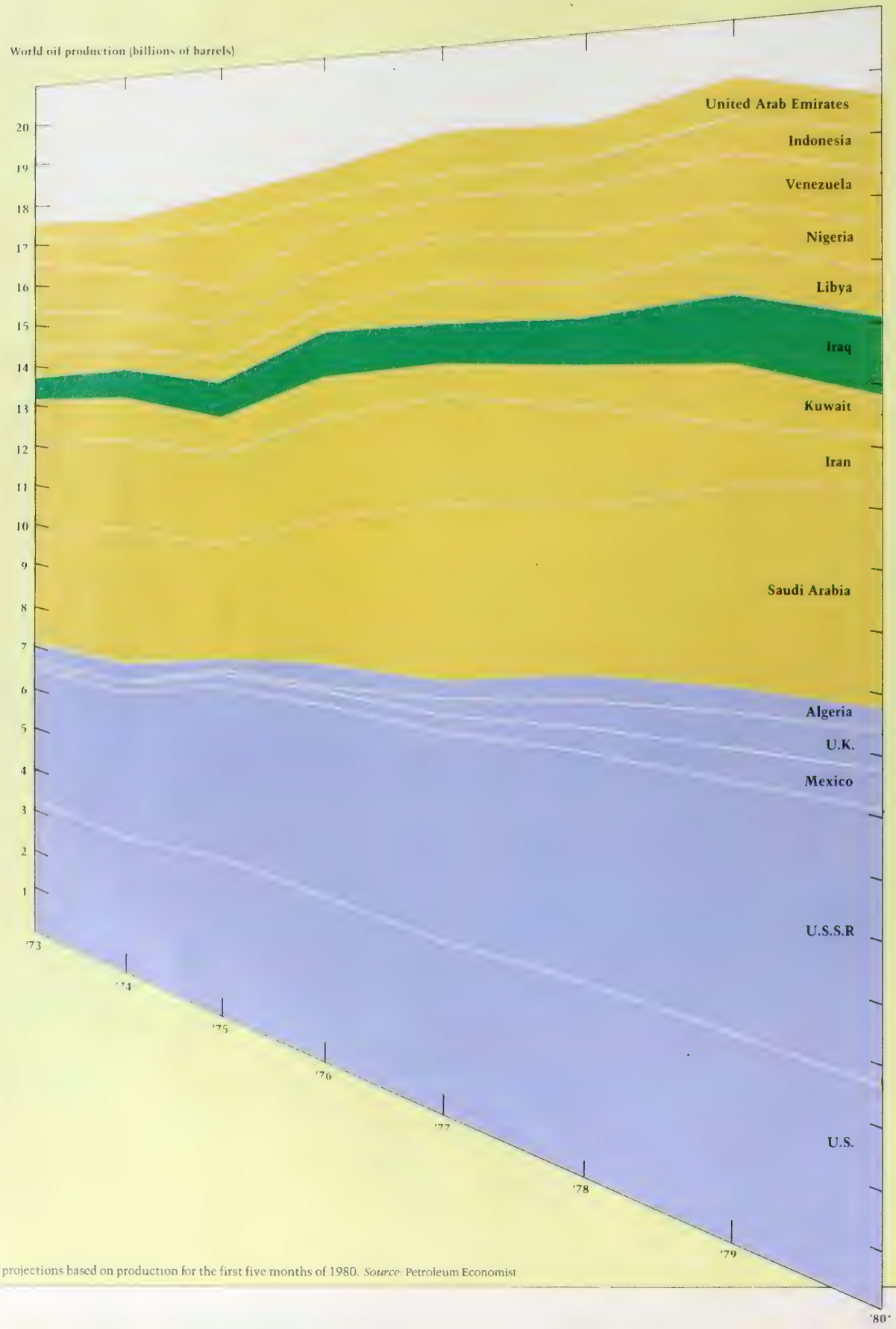
Item: In April, a hand grenade slightly wounded Deputy Premier Tariq Aziz. Another grenade the same month narrowly missed the Culture and Information Minister. Hussein blamed Iran, and purged an estimated 120 army officers, most of them Shiites.

Surrounded by chaos

part, Saddam Hussein's repression results from new nrest along Iraq's borders. Under Suleyman Demirel, urkey drifts toward civil war; Hafez Assad's grip on Syria slips daily; archenemy Ayatollah Khomeini urges Iraq's majority Shiites to overthrow Hussein's Sunni Baathists, and fears mount over the stability of Saudi Arabia.

The world's oil producers: Iraq flowers as Iran fades

The greatest change in world oil output since the Arab embargo of 1973-74—besides the sudden appearance of production from the U.K.'s North Sea field—has been the doubling of Iraq's output while that of Iran was falling by half.



FORBES' projections based on production for the first five months of 1980. *Source:* Petroleum Economist

Item: Although top Baathists have not ublicly admitted it, it is universally beeved that Hussein ordered the execuon of Ayatollah Sayyid Muhammad aqr al-Sadr, the Iraqi Shiites' top reliious leader, friend of Khomeini and ngtime foe of Baathist rule.

An Iraqi makes the obvious point: How can Hussein promise to unify the rabs if he can't even unify his own ountry?"

Yet, so Hussein dreams. On his shoulers there rests, at least in fantasy, the ncient cloak of the Abbasid caliphs, ho ruled a prosperous, powerful Baghad in the 8th century. In pursuit of this ntasy, he seeks to buy himself nuclear eapons—and is probably succeeding, anks to the avarice of France, Italy and razil. Hussein is quickly building up aq's 250,000-man military machine. he country's official (and so understatd) "defense" budget this year alone is $3 illion, up 76% from 1978. Much of the pending is going for fancy new hardare: $300 million for 24 more French lirage F1s on top of 40 ordered last ear—part of a $1.5 billion French armsr-oil deal; $1.5 billion for a minifleet of alian-built warships, complete with rbine engines produced under license om General Electric.

Whether the military investment will ver pay for itself is another matter. The nly time Iraq's army was really tested as in the last Kurdish war. By the aathists' own admissions, the governent suffered 60,000 dead and woundd—nearly one-third of its army.

The Iraqi army's record in the various rab-Israeli wars is not merely undistinished, it is almost invisible. Like luammar Qaddafi, Saddam Hussein pports the Arab cause with money nd mouth but not with military eans. Hussein's claims to Pan-Arab adership is but a brazen effort to ve legitimacy to a government that as none.

The army is, moreover, beginning be a drag on the economy. Iraq's ost serious near-term problem is a vere labor shortage; roughly 15% of e work force is non-Iraqi, and sever foreign companies have recently en asked to sign operating contracts place of the Baathists' preferred rnkey contracts. But despite the ortage, Iraq's compulsory two-year aft is siphoning off some 75,000 ung men annually.

Talk to a typical Baghdad Iraqi and (or she) will complain of two ings: not enough houses and not ough cars. (Until last year, the list cluded not enough food, but masve imports seem to have solved that oblem.) Since 1970 an average use in Baghdad has gone from 20,000 to around $100,000. In theory new car costs around $14,000, but you have to wait a year or two for it and thus a five-year-old car can bring the same price as a new one. In other words, Saddam Hussein could begin losing another source of support: the Iraqi consumer, who knows the country is rolling in oil dollars, but who isn't seeing much in the way of cars or houses in return.

FORBES discussed the matter with the Ministry of Planning's Hikmit al-Hadithi, a man, by the way, so powerful and trusted that he is allowed to subscribe to Western newsmagazines. Calling 1980 "a difficult year," al-Hadithi candidly acknowledged the problem:

"We are badly in need of housing. During our literacy campaign, we told the people they had to raise their real standard of living, especially food and housing, when they had additional income. We told them that every family should have its own house or flat. *We* did it. *We* raised their expectations, and now we are in the corner. We have to provide what we told them to want."

Al-Hadithi figures that meeting the expectations will require 700,000 new housing units over the next five years. The 1980 development budget of $17.8 billion will, he promises, emphasize housing and deemphasize industrial projects for the first time. Still, with the population growing at 3.5% a year and with government programs aimed at *increasing* that rate, it will be a catch-up game for many years. In this context, Iraqi consumers feel they get precious little from Hussein's much-trumpeted aid to non-Arab underdeveloped countries last year, or from the $175 million now doled out every four months in "Arab front-line aid" to Jordan ($62 million), Syria ($92 million), the PLO ($12 million), plus another $9 million to Arabs in Israeli-held lands. Don't forget: Iraq's per capita income, though rising, is still only $2,000, the same as Portugal's. It is thus doubly depressing that Hussein's reign of terror stifles much of the individual initiative needed to move the country forward.

There is no denying that Saddam Hussein has scored some impressive rounds in his bid to become the new Nasser. Partly this is because the Camp David accord impasse has further isolated the Arabs' natural leader, Egypt. In that sense, Israeli Prime Minister Menachem Begin and Saddam Hussein are almost allies. And give this to Hussein: His skillful manipulation of most Arab states' genuine desire to keep the superpowers out of the Middle East has been deft. Example: Last February he introduced an eight-point national declaration for the Arab homeland. The first point called on Arab leaders to close their countries to foreign military forces in any form. Among the charter's signers: Saudi Arabia and Kuwait.

But does this really mean the Saudis and Gulf states are rushing into Saddam Hussein's net? Not likely. Although he has for the time being softened his line, Hussein's Baath Party ideology calls for the overthrow of the "reactionary" Saudi and Gulf states monarchies. The rash of recent executions serves to remind the Saudis and other conservative Arabs that the Iraqi leopard has not really changed its spots.

At a reception in Baghdad, FORBES cornered a Saudi diplomat and asked him: If Saudi Arabia felt genuinely threatened, would you call Baghdad or Washington first? He gave us in reply a long and troubled stare that clearly said: Washington.

Besides, if the Saudis wanted to team up with another Arab state, they would most likely choose Egypt over Iraq—a prospect that has perhaps been enhanced by Anwar Sadat's sheltering of the late Shah Mohammed Reza Pahlavi. The courage and compassion of Sadat's act stand for all to see in stark contrast to insecure Saddam Hussein's bloodlust. Jittery Syria, too, could well look again toward Egypt if it can shake its trigger-happy Baathist President Hafez Assad and his brother from power.

As he gained power and held it, so will Saddam Hussein probably lose it: in a shower of hot lead. It will be no great loss. Because he has fed U.S. firms a few crumbs of business does not make him a friend of the U.S. or of the West. Though Saddam Hussein and his fellow "rejectionists" continue to assail Egypt's Anwar Sadat, the U.S.' new alignment with Egypt looks smarter all the time. ■

A Palestinian demonstration in Baghdad
Money, not men, to fight the Israelis.

Miss this week an et

Spending a week at IBM's Systems Science Institute can bring some substantial benefits to you and your company. Like getting a complex computer application on line faster. Or learning ways to manage an efficient data processing department that has grown rapidly.

The Institute is one of many education offerings of IBM's Data Processing Division. Last year over 7,000 managers and executives attended classes in New York, Chicago, Dallas an Los Angeles. They ranged from businessme with no technical knowledge of computers t managers in data processing departments.

All too often, breakdowns in human commu nication can delay programming projects an raise application costs. Experienced IBM in structors put forth proven techniques that ca bring together management and data processin

et way ahead of things.

ofessionals and make them more productive.

Become one of the 15,000 executives or man-
gers we expect will spend a week with us this
ear. When you get back to your desk, you'll be
ay ahead. For more information, write to Manager, SSI, IBM Data Processing Division, Dept. 67T, 1133 Westchester Avenue, White Plains, NY 10604. For the details on other IBM education offerings, call your IBM Data Processing Division sales representative.

The way we put it all together is what sets us apart.

IBM
Data Processing Division

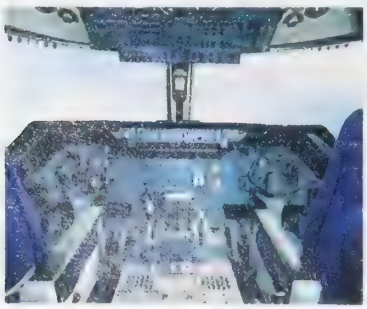
TWA flies the L-1011 the world's most advanced widebody. Here's why.

From the moment you step aboard TWA's L-1011, you'll have the feeling you're in a very special plane.

You'll be particularly impressed by the spaciousness of the passenger cabin—19′ wide and 8′ high—with two aisles, indirect lighting, and comfortable seats. But the real beauty of the L-1011 lies in the things you don't see.

Offspring of the SST

When America embarked on the SuperSonic Transport program, considerable resources were put behind the development of new technology. Much of this has been incorporated into the L-1011, making it the most advanced widebody in the world.



The L-1011's advanced flight control system derives from the SST program.

"TWA's L-1011 fleet is another reason why you're going to like us."
—J. E. Frankum, TWA Chief Pilot

The smoothest plane in the air

The L-1011 is the only widebody with a flying horizontal stabilizer, for smoother takeoffs.

In the air, the L-1011's computerized autopilot—the most advanced of any aircraft—works to provide the smoothest flight.

And because the L-1011 is the only widebody with direct lift control (automatic adjustment of lift and pitch), it's smoother on landing, too.

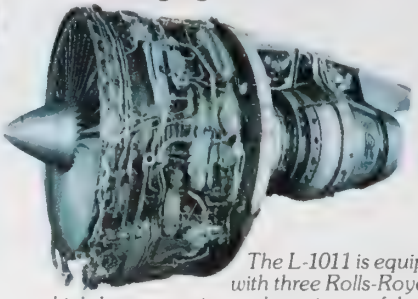
An all-weather aircraft

Most widebodies have a 2-part autoland system. Only the L-1011 has a 4-part autoland system, making it more sophisticated than other aircraft.

In addition, the L-1011 has instrumentation so advanced it was granted a special Category IIIA clearance—the ability to land in all weather.

Passenger comfort

Inside TWA's L-1011, everything has been designed to make a long flight seem shorter.



The L-1011 is equipped with three Rolls-Royce high-bypass engines—the quietest of their kind.

At your fingertips are controls for reading lights, air outlets, and entertainment. Drinks, stereo music, and full-length movies help the time fly by.

So if you're planning a trip coast to coast, plan to fly on TWA's L-1011, today's most advanced widebody.

You're going to like us

TWA

Parlaying prospects with dual market advertising.

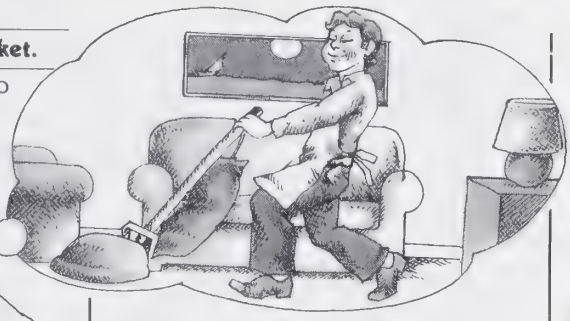
It takes two to make a market.

It used to be that in order to define the advertising target for a product one looked at who actually purchased the product and forgot about everything else. But things

have changed. Wives are working. Husbands are helping with the cooking. And the influence a wife has on her husband's purchasing decisions, or vice versa, should be considered.

Who influences whom.

As the chart based on the Purchase Influence Study shows, these days it's much smarter to include both husbands and wives in advertising plans. When it comes to life insurance, for example, wives exert 34% of the direct influence on the company chosen. Husbands, on the other hand, exert 41% of the direct influence on the brand of instant coffee used at home.



From package goods to big ticket items, it's no longer enough to convince only the person who's doing the actual buying. You also have to reach all the people who influence that buy.

Influence on brand selection

Product	Husbands	Wives
Instant Coffee	41%	59%
Gin	64%	36%
Upset Stomach Remedies	50%	50%
Life Insurance	66%	34%
Mouthwash	44%	56%

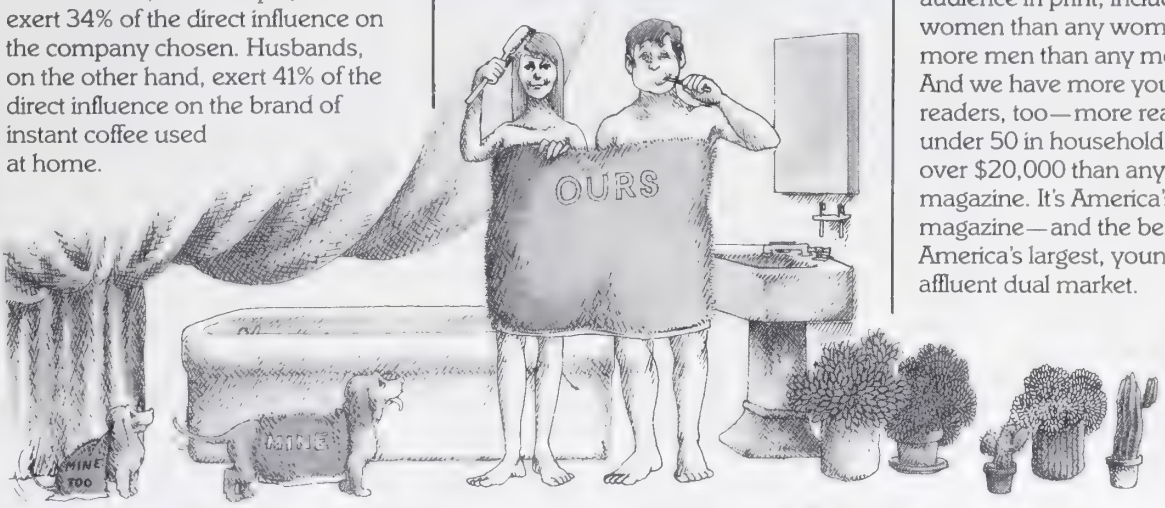
Source Purchase Influence Study, 1975

How to reach the dual market.

Because husbands and wives make many buying decisions together, it pays to reach both of them if you can. And the surest, most effective way to reach them is through a dual audience medium—one that is able to reach both men and women so that the merits of the product can be talked over on the spot.

Why you should use TV Guide.

TV Guide reaches more than 42 million adult readers week after week. That's the biggest dual audience in print, including more women than any women's publication, more men than any men's publication. And we have more young, affluent readers, too—more readers under 50 in households with incomes over $20,000 than any other magazine. It's America's best-selling magazine—and the best way to sell to America's largest, youngest, most affluent dual market.



America reads TV Guide.

TV GUIDE®
TRIANGLE PUBLICATIONS, INC

200 million tons per year.

What happened? The same OPEC oil price increases that spurred frantic energy lawmaking in the U.S. Congress also scared the Europeans, who are far more dependent on imported energy and therefore feel the sting of OPEC's higher prices more keenly than the U.S. But the Europeans seem able to act more decisively. Many of their electrical generating plants can burn either coal or oil, and converting back to coal is a relatively simple technical job. In most European nations, environmental regulation is less doctrinaire—some would say less fanatical—than in the U.S. Many European utilities are state-controlled; they do what they are told.

"We [the U.S.] play the consensus game, and when you do that you get the environmentalists and everyone else in the act and the end result is nothing gets done," says Joel Price, a first vice president of Dean Witter Reynolds and editor of the *Coal Observer*. "It's easier in a small state to apply decisions than it is in a big state," is the more diplomatic explanation of Philippe Julienne of Association Technique de L'Importation Charbonnière, France's quasi-governmental coal-buying association.

As the new European demand developed, the U.S. coal industry, with 100 million tons of excess capacity, was the logical place to seek supplies. Labor peace had returned to the unionized eastern coalfields. Steam coal could be obtained at bargain basement prices and shipping rates from the eastern U.S. were cheaper than from Australia or South Africa. Furthermore, Australia—as usual—is suffering from labor problems and most of its coal is already under long-term contract; and some European countries won't buy South African coal because of that country's apartheid policy. Poland, another major coal producer, began to look like an iffy source when last fall it diverted some coal intended for Ireland and other European countries to the Soviet bloc. "We picked up about 500,000 tons of steam coal that could not be met by the Poles," says NCA's Holmes.

If the U.S. becomes a major exporter of energy—coal—the benefits will be considerable. It will help the U.S. balance of trade. It will reduce OPEC's stranglehold on the other industrial countries. Unfortunately, just as demand is mounting, some bottlenecks are starting to show up. There are horror stories of coal-hauling freighters waiting weeks to load up. On one recent day there were 45 colliers backed up and waiting off Hampton Roads in Virginia, the biggest of the coal-loading ports. Delays can cost $15,000 to $25,000 a day per ship. Coal traders complain that the railroads don't issue permits to ship in time to coordinate with freighter arrivals and that storage facilities at the ports are inadequate. Several coal companies and traders report having turned away orders because, although the coal can be mined, it can't be delivered. NCA's Holmes estimates that the U.S. could sell at least another 10 million tons this year if the transportation and port system could handle the extra volume. With steam coal currently selling for about $24 a ton at the mine and transportation costs to the port pushing its value up to about $39 a ton, that's about $400 million in lost foreign exchange.

An aide to Ambassador-at-large Henry Owen of the National Security Council says potential coal buyers from Europe are uneasy about the possibility that rail deregulation will allow rail shipping rates to go higher. The age and capacity of U.S. ports is another concern. "They're ve insulting about our ports," he says. B some long-term contracts have alrea been signed with the Europeans, and o ers are being negotiated. Island Cre Coal's William Mason, head of the Co Exporters Association, says rail and p congestion problems are easing as the co operators, traders and railroads learn cope with the situation. Both Norfolk Western and Chessie have reopened o coal-handling piers in Norfolk and Ne port News. The state of Pennsylvania h arranged $26.5 million in financing so i pecunious Conrail can improve the ma coal-handling pier in Philadelphia.

Occidental Petroleum, Island Creek parent company, is putting $35 millio into coal-handling and storage faciliti in the port of Baltimore. Conoco's Co solidation Coal Co. is expected to i vest as much as $75 million in anoth Baltimore coal pier. There is more ta of using coal slurry pipelines, like t one Continental Resources is planni to build from the Appalachian coalfiel to utility customers in Florida, to lo colliers, possibly at offshore terminal Some European countries are eyeing t efficient coal-hauling barge system the Mississippi River as an alternati to the hassles of the East Coast. Som Western European and Japanese i vestors are said to be interested in hel ing finance a new coal port. A shi ment of steam coal destined for Japa recently left the port of Long Beac Calif., and there are hopes for a gro ing coal trade with the Far East by wa of West Coast ports.

For all this, there is still slack in t market: Strong as it is, foreign dema doesn't come close to soaking up t estimated 100 million tons of excess c pacity in the coal industry. Thus whil the main eastern coal-handling railroad the Chessie System and the Norfolk & Western, are having a banner year, co company profits remain soft, to say t least. St. Joe Minerals reports nearly fla earnings from coal so far this year— though the company expects improve ment in the second half—while Consoli dation Coal and Island Creek say afterta profits are down for the first half of 198 Analyst Price thinks earnings probabl won't improve substantially for any o the major coal producers until expo steam coal gets to $30 a ton from th current $24. Price says: "We know th boom is real. But we don't honestl know how big it will be and it's very eas to let yourself get deluded by glamorou numbers." But, says Pieter Vismans president of the SSM Coal Co., an expo trader, "This is the start of it. There's n question about that." A group of Virgini businessmen, seeing a chance to cash i on the boom, are attempting to set up coal export exchange that would create futures market in coal. ■

Norfolk & Western's coal-loading docks in Norfolk, Va.

Leaving nothing to chance, major coal producers are buying their own coal loading and storage facilities to handle exports.

WHEN YOU WANT A BANK THAT CAN PUT TOGETHER MONEY FOR MAJOR PROJECTS

OUR SOLUTION:

In major capital investment every project is unique, every loan tailor-made.

So, project financing at Bank of Montreal involves tailoring our services to meet your special needs. Finding solutions attractive to both lenders *and* sponsors.

That's why our Project Financing Group is organized into *teams* with direct access to major decision-making authority.

When you call us, you call direct.

MAJOR INVESTMENTS WORLDWIDE

Some examples: Last year Bank of Montreal, together with Bank of America and Manufacturers Hanover Ltd., helped put together the $660 million (U.S.) needed to back development of the third largest copper mine in the world, Mexico's La Caridad.

- The loan was the largest ever granted a Mexican private sector company.
- Our Mining Services Department supplied the necessary technical expertise.
- This one project will *double* the copper mining capacity of Mexico.

Besides La Caridad, Bank of Montreal last year helped arrange financing for such major private sector projects as a Spanish utility and a steelworks and chemical company in Denmark.

Now, when you want a bank that can fit the solution to the problem (not vice versa), you have our credentials.

THE FIRST CANADIAN BANK

Bank of Montreal was, indeed, the first bank established in Canada, in 1817. And the first to venture outside of Canada, to the U.S. and England, in 1818.

But to us, "first" is more than a date. It's an attitude.

An early branch bank in Mexico.

We intend to live up to the "first" in The First Canadian Bank, worldwide.

CHESSIE

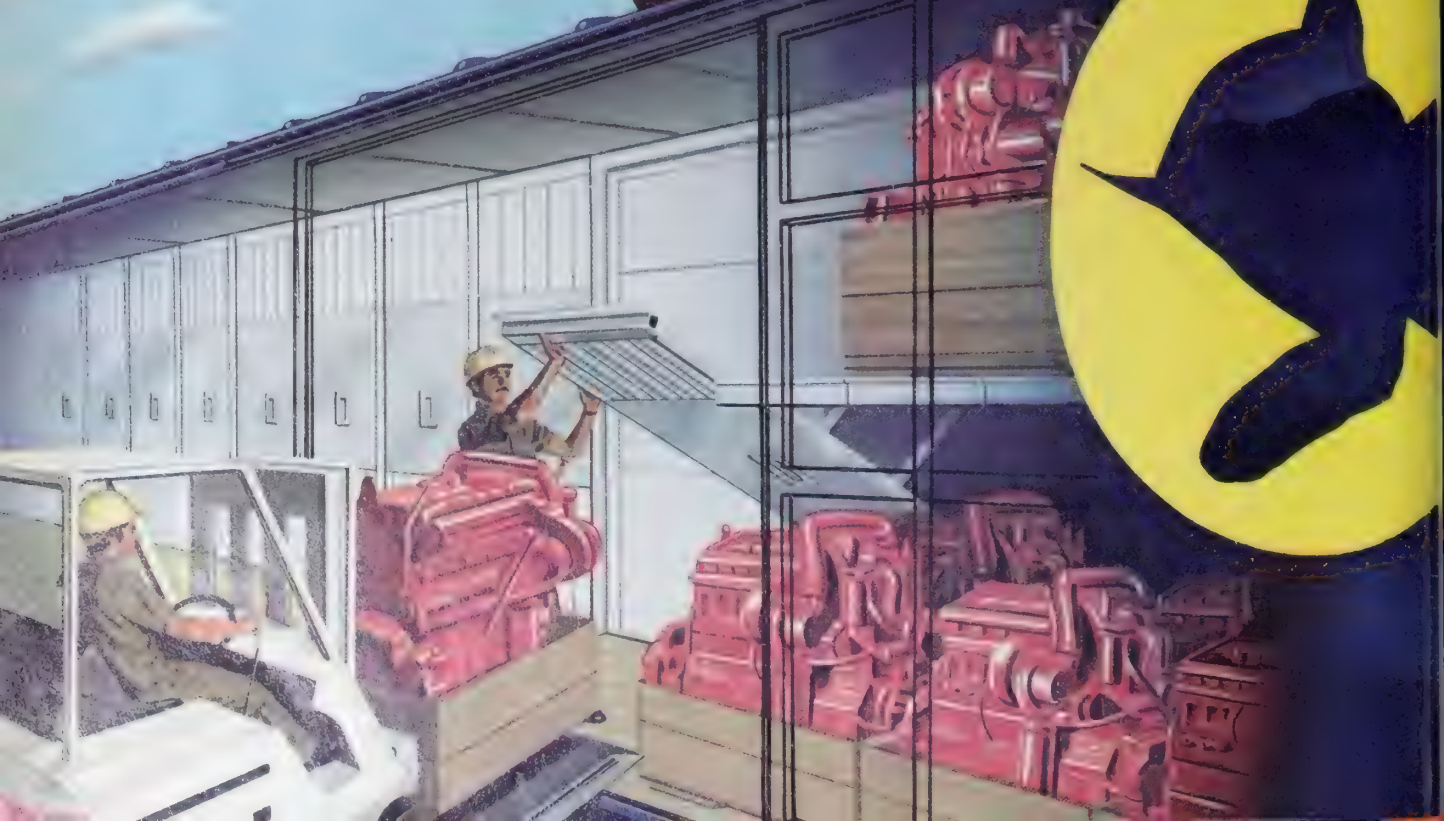
THE RAIL WAY TO SAVE

PIGGYBACK PAYOFF.

A joint move using rail and truck can save a lot of fuel and money. But, if you haven't been shipping piggyback because you think you're too far away from our terminal, we'd like you to look again. Using the right combination of truck flexibility and rail economy can save money even if you're 100 miles away. Check with Chessie. You'll be surprised how far your transportation dollar will go.

DOUBLE-DECKER DISCOUNT.

You get double the floor space in a single car with our Double-Decker. Folding platforms pull down to form an "upstairs" deck, capable of supporting 2,000 pounds per linear foot. When you want to double your payload without doubling cars, double up with Chessie.

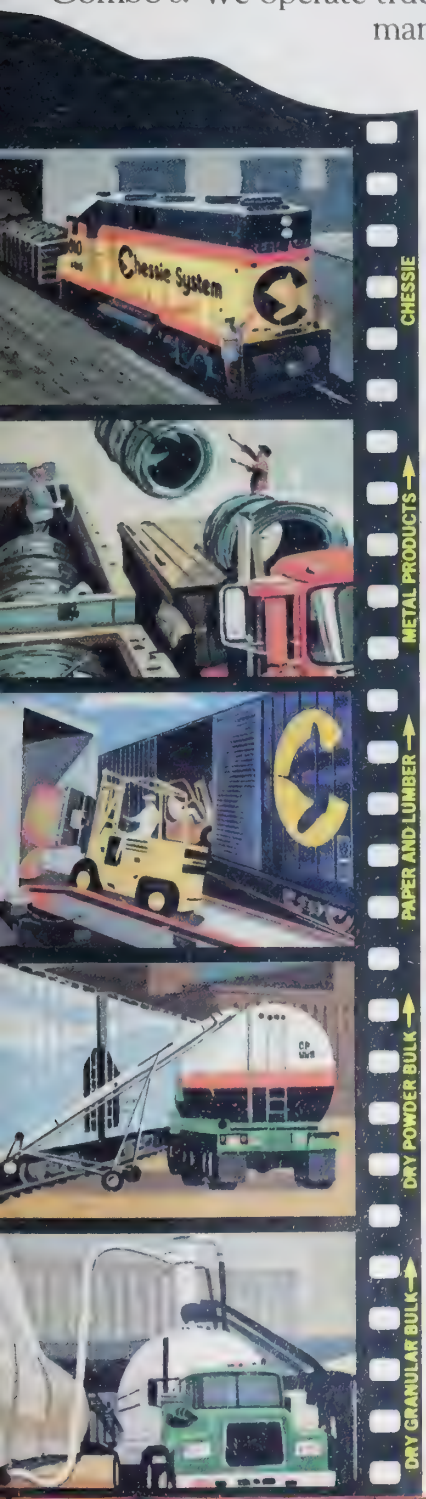


FOR THE 80'S

AVE FUEL AND MONEY.

RAIL-TRUCK COMBO'S.

You can get the economies of carload rates and still deliver by truck using Chessie's Rail-Truck Combo's. We operate truck transfer facilities in many market areas that allow you to take truckload quantities from carload shipments for final highway delivery. No matter what the product, Chessie has a flexible combo that can save fuel and money for you.



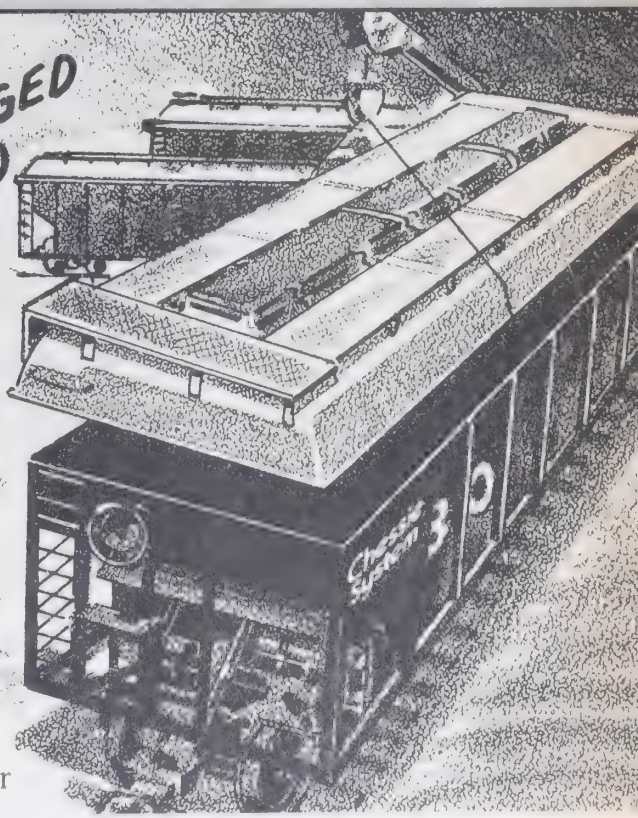
POP-TOP HOPPERS.

Our winter convertible can help put a lid on covered-hopper shortages. The Pop-Top Hopper means that grain can get to market at the most opportune time for growers. And it means that winter shipping will be more practical for many other commodities. No matter what the weather, Chessie gets you where you want to go for less.

Chessie's Track Facts!

UP TO 30 CARS CAN BE CHANGED FROM COAL TO GRAIN IN ONE DAY!

IT TOOK A NEW LOOK BY CHESSIE TO MAKE MORE ***WINTER*** SHIPPING POSSIBLE.



Call our toll-free number, 800-638-5666, or 301-237-2761, for more information on Chessie rates and services. *Or write 3500 Terminal Tower, Cleveland, OH 44101.*

Chessie System Railroads

The Chesapeake and Ohio Railway · The Baltimore and Ohio Railroad
Western Maryland Railway

Longer is shorter.

Change to our longer-lasting roll towel and shorten your towel maintenance time.

That's the idea behind Fort Howard's 850-foot roll towel. It's the longest roll towel in the business. Available in both bleached and natural stock. So you get more hand-dries per roll and fewer roll changes.

Our 850-foot roll is over 200 feet longer than the average roll towel. That means longer periods between maintenance calls. And added up over a year, the savings can be significant.

By teaming our 850-foot towel with our Commander I® cabinet, you can cut your maintenance costs even more. The Commander I is designed to eliminate "stub roll" waste, the unused portion you may be throwing away. So you use all the paper you buy.

Get the longest roll towel and shorten towel maintenance time. Call the Fort. Dial (312) T-H-E-F-O-R-T and we'll show you how to save.

Fort Howard Paper
Green Bay, Wisconsin 54305

Call the Fort

Dial (312) T-H-E-F-O-R-T

® the Fort is a registered trademark of Fort Howard Paper.

low can Japanese companies pay high wages o their employees and still enjoy relatively ow labor costs? Here's the secret:

Japan's multitier wage system

By Robert C. Wood

NIPPON STEEL'S KIMITSU works is an approved stop for Western journalists and politicians making ick surveys of the Japanese economic iracle. Close to Tokyo, it has sometimes been called the most efficient steel ill in the world. The benefits Nippon Steel employees receive there have become internationally famous.

What is much less talked about is that inside the mill Nippon Steel employees do very little of the hardest work. Nippon Steel employees wear silver helmets, while subcontract workers wear yellow helmets—and yellow helmets outnumber silver ones. Men in silver helmets observe operations, check dials and operate clean, highly automated machinery. Men in yellow helmets climb under hot oxygen furnaces to clean them, bend over short shovels to recondition the tracks where hot metal will flow and work close to earsplitting noise.

low and silver helmets together at Nippon Steel's Kimitsu works
e colors symbolize a system that pays in proportion to power.

Nippon Steel's public relations manager at the mill, Teruhisa Noda, told me that the subcontract workers were "part of the family of Nippon Steel." He noted that the family pays them almost as much as it pays Nippon Steel employees and tries to give them "lifetime employment." But he admitted that in addition to the dirty, difficult work they must do, subcontract workers also work longer hours than regular employees for no extra pay. They receive few of the famous benefits Nippon Steel men get.

When pressed, Noda acknowledged that subcontract workers are part of the Nippon Steel family in "an old sense of family." It is a traditional Confucian family, in which the superior members think it natural that they are richer and more powerful than their lesser relatives.

Motoyoshi Arai operates a locomotive for one of the largest subcontractors. Arai is paid about 10% less than Nippon Steel men, and he does not think of the system as familylike. He feels exploited. Arai once headed the union at his company, Nittetsu Transportation, and he still works hard to strengthen it. But Arai's union has not been very successful. By now he is convinced that the exploitation is permanent.

"When we started out with the union, our objective was to get our wages closer to Nippon Steel's," he says. "But after six or seven years we realize that's out of the question, so we're trying to raise the base for everybody."

The difference between Nippon Steel employees in silver helmets and the men in yellow is based on something that has divided upper and lower classes in every country for thousands of years: power. As a group, regular employees of Nippon Steel could easily shut down the Kimitsu works. Subcontract workers—while not always completely powerless—can cause much less trouble.

I spent more than four years in Japan trying to make sense of the Japanese economy's mysteries—the apparent generosity of big companies to their workers, the nation's rapid growth and its lack of labor strife, unemployment and poverty. I have come to a conclusion closely involved with the question of silver helmets versus yellow: The most dramatic of Japan's economic marvels depend on the way the system distributes pay and benefits in proportion to the disruption that groups could cause by withholding their services.

Men in big, powerful Japanese companies, who hold strategic positions in the

Changes in Overseas

Foreign countries are moving toward standards of product liability making manufacturers and distributors more strictly accountable for product defects – a trend which has already resulted in increased awards against U.S. companies with export markets.

A brief review by INA of an insurance topic of interest to business executives.

The liability of manufacturers, wholesalers and exporters for defects involving the safety of their products has traditionally been much more restricted abroad than it is in the United States.

In part this is due to differences in social and economic conditions. For example, the consumer movement is less advanced in nearly all foreign countries than it is here. Conservative legal systems and precedents are also important – including such factors as the relative infrequency of jury trials, the lack of a contingent fee system and limited recognition of liability for pain and suffering.

There is, however, ample evidence of a worldwide trend toward making manufacturers and distributors more accountable for the goods they put on the market. The traditional doctrine of *caveat emptor* – let the buyer beware – is crumbling under the recognition that mass production can result in products which in use prove defective and cause injuries. More and more societies find it neither socially acceptable nor economically necessary to place the major burden on the injured party.

The upheaval in product liability abroad has taken several forms. For one thing, growing awareness of the lucrative awards possible in the United States has led to more foreign plaintiffs initiating suits against American firms in American courts. In foreign courts, too, liability actions against U.S. firms are on the rise and the awards decreed are increasing in size.

Strict accountability

Most important of all, there is an organized movement in Europe toward the "strict liability" concept of product liability which generally prevails now in the United States. A proposed international agreement, sponsored by the nine-nation European Community (the Common Market), is bringing strict liability closer to reality – in fact, in varying degrees, it is already law in some European nations. As one observer has put it, by 1985 or even earlier, Europe

Product Liability

may have "the toughest product liability laws in the world."

Strict liability provides, in effect, that the producer of an article shall be liable for damage caused by a defect in the article – whether or not he knew or could have known of the defect. This liability holds good even if the article could not have been regarded as defective in the light of technological and scientific knowledge at the time the product was marketed. There are some extenuating circumstances, such as alteration of the product by a user.

In short, under strict liability, a plaintiff need no longer prove that a manufacturer was negligent –only that the product was defective and that the defect was the cause of the injury or damage.

Protection at U.S. levels

For a company with overseas markets, these developments intensify the need for a uniform program of international insurance protection.

In individual foreign countries, a base of local insurance in accordance with local laws is necessary. But because these local coverages can vary widely, they should be supplemented with a U.S.-written "difference in conditions" master policy that adjusts all coverages abroad to the U.S. standard of protection level.

Beyond insurance itself, loss control becomes even more important as exposures rise abroad, since product liability claims are often preventable. In addition to loss control measures applying to products generally – such as design analysis and quality control – there are special considerations with products for export. Particularly important are supporting materials and technical services.

Advertising and sales promotion literature prepared overseas should be reviewed to eliminate excessive promises or implied warranties. Warnings and instructions for use should be translated into local languages clearly and with regard to local conditions. Technical support and record-keeping abroad should measure up to U.S. standards. Efficient handling of such factors can reduce both accident claims and insurance costs.

INA's product loss control program has assisted many clients insured through INA International in preventing accidents. And ESIS, an INA Corporation company, offers the same services to self-insured clients.

Recognizing and meeting complex needs, such as those of business for product liability protection, typifies INA's comprehensive approach to increasingly sophisticated insurance and risk management problems.

Comprehensive services

The Insurance Company of North America was founded in 1792 in Independence Hall, Philadelphia. Today it is the largest component of INA Corporation's international network of insurance, financial, and health care interests. In property and casualty insurance and risk management services, life and group insurance, health care management and financial services, INA and its affiliated companies offer a unique combination of products and services to business and industry around the world.

For an informative booklet on current trends in international product liability, write INA, Dept. R, 1600 Arch Street, Philadelphia, PA 19101.

corporate foreign policy

Manufacturers with export markets obtain a "worldwide products endorsement" on their domestic product liability icy to protect their overseas exposures.

This endorsement protects only against eign suits brought in U.S. courts–not se brought in foreign courts. Moreover, ile product liability rates for export erage may be much lower than domestic es, the foreign coverage provided by lorsement to a domestic policy is usually led at the higher U.S. rates.

Purchase of a separate foreign policy ough a company such as INA Internanal can mean premium savings together h more comprehensive protection.

INA
The Professionals

"EVEN ON THE PLANE OF THE FUTURE, SERVICE CAN'T BE A THING OF THE PAST."

– FRANK BORMAN, PRESIDENT, EASTERN AIRLINES

No matter how well-designed a plane is, it's the service you get on it that counts.

Take our A-300. It's a new breed of wide-body, with excellent fuel-efficiency, quieter engines, and plenty of room for you and your belongings. It's the plane of the future, and Eastern's the only U.S. carrier that has it.

But even the most advanced plane can't make your flight enjoyable. It takes people to do that.

Like Eastern's Michele Montpetit, Cynthia Bowen and Captain Bill Preissner. They work hard to make what could be a cold plane a little warmer. Good service may be an old-fashioned idea, but at Eastern, it'll never become obsolete.

If we want your business in the future, we have to earn our wings every day.

EASTERN

WE HAVE TO EARN OUR WINGS EVERY DAY.™

conomy, are allowed to take most of the uits of their companies' successes. In 977 men in companies with 1,000 or ore workers averaged Y203,700 ($980) month plus overtime, bonuses of 855,900 ($4,000) a year and generous inge benefits. That's $16,000 a year ithout fringes. In 1980 the figure is aybe 20% higher.

Most smaller companies cannot treat eir workers nearly as well because mpetitors can be set up easily with nunion labor. Male small-company orkers averaged only 71% of big-comny men's pay. The difference in pay tween big- and small-company men as bigger than the difference between llege graduates and those who never ished high school. And small compaes offer far inferior fringe benefits.

By using small subcontractors, the bigst companies can capitalize on the age difference. Their organized works are not threatened because the bosses ve promised—and the unions have ough power to assure—that the profits d flexibility subcontracting gives the g companies will benefit their regular nployees.

Nippon Steel directly employs 73,002 ople—42% as many as U.S. Steel, alough the Japanese company produces ore steel and the two companies' dollar les volumes are similar. More modern uipment explains part of the contrast, t subcontracting is probably a more portant factor.

Because companies like Nippon Steel e low-wage subcontractors, Japanese instry ultimately tends to use labor more ficiently than unionized American instries. Not only are the subcontracted orkers paid less, they are less rigid in eir work standards. And the jobs available with small companies and subconactors help eliminate unemployment. ot everybody makes a top wage, but evy able-bodied person can find work.

All this owes much to U.S.-imposed forms and employees' reactions to em after World War II. Our reforms rced big companies' managers to put gh priority on regular employees' eds. Douglas MacArthur could not ve imagined the system that would nerge, but he was the creator as much the Japanese.

MacArthur and the New Deal intellecals who staffed America's Occupation galized and encouraged Japan's Social- and Communist parties, who quickly tablished unions in virtually all big mpanies. The unions enrolled even anagers' key assistants.

Meanwhile the Occupation was purg- top industrialists, leaving the reaining managers utterly confused. "Lar almost controlled management," the esident of one of Japan's conservative ion federations recalled to me. "Nowadays there's a lot of talk about worker participation in management, but in those days nobody could be appointed in top management without the approval of the Communist Party."

To make their companies function, managers had to promise that security and income for regular employees would be their key goals. And because unions contained so many of the companies' powerful people, they could assure that these promises were largely kept.

As the postwar period progressed the new top managers consolidated their hold over their companies, but it was never worthwhile for them to change their basic commitments. Japanese law places fewer restrictions on managers than American law, and managers of mature companies receive little pressure from representatives of investor owners. But they must still cope with unions. Three-quarters of all workers in firms employing more than 500 belong. Unions—which are no longer Communist-dominated but still include virtually every regular employee under the age of 35 and everyone over 35 who has no management title—probably have more influence over the managers of most large companies than any group except possibly the companies' bankers.

"Labor almost controlled management," the president of one of Japan's union federations recalled of the post-WW II period. "Nobody could be appointed in top management without the approval of the Communist Party."

Labor disputes still occur regularly. Each spring big-company employees cover the walls of some very staid offices and factories with big-character denunciations of management that can remind a foreigner of Peking during the Cultural Revolution.

Why do these disputes so seldom end in long strikes? In good part because the regular employees—Nippon Steel's silver hats—realize that as privileged employees they have a stake in the company's health; they don't want to weaken the source of their good fortune.

Thus interruptions of work are usually limited to a few hours a day, and when employees are not embroiled in the annual ritual of pay negotiations they have good incentive to work as a team to build a more efficient and more prosperous company.

Outside the privileged caste of big-company employees, however, only 40% of the workers in firms employing 100 to 499, and only 10% of the workers in firms employing 10 to 99, belong to unions. In companies employing fewer than 30 the figure drops to 1½%. When they exist, subcontractors' unions lack the bargaining power to force concessions on their own. And unions at important subcontractors lack common interests with lesser contractors' unions for a united front. With no real prospects for success, few ever launch long strikes.

Nittetsu Transportation's Motoyoshi Arai has direct experience with the Nippon Steel union's attitude toward subcontractor unions. Arai thinks Yoshiji Miyata, who headed the Nippon Steel union when Arai headed Nittetsu Transportation's, is an enemy of Nittetsu Transportation men.

"Five years ago I was union chief, and we were fighting for a higher bonus," Arai told me disdainfully. "Miyata's elder brother—he's now in parliament—came to me and said, 'Don't do that; you're causing trouble. Don't make strikes.' "

Without the Nippon Steel union's support, Arai's position was weak. Nittetsu Transportation's locomotive and truck operators could cause a lot of disruption, but Nippon Steel could replace them. And although they receive benefits dramatically inferior to those Nippon Steel men get, their benefits significantly exceed those of the less important subcontractors.

Arai lives in a company-supplied apartment for Y3,500 ($17) a month. It is ten minutes farther from the plant than the apartments supplied to Nippon Steel men and has one less room, but if Arai had to look for a new job he probably could not find a $17-a-month apartment anywhere. And although running a locomotive is harder and dirtier than operating the new, modern equipment to which most Nippon Steel men are assigned, it is cleaner and easier than other jobs that would pay as well. Nittetsu Transportation men know they have much to lose if Nippon Steel ever eliminates their jobs.

Legally, Nittetsu Transportation is a wholly owned subsidiary of Nippon Steel. Its managers, who were mainly regular Nippon Steel employees dispatched to the subcontractor for a few years, refused to concede anything to Arai. When he came up for reelection to his union post, they worked to undermine his candidacy. "They said that if I was elected, Nippon Steel wouldn't give the company any more work," Arai told me. All the jobs at Nittetsu Transportation would be destroyed if that happened. Arai lost.

Arai explained that the worst subcontracting conditions are outside the gates of the Kimitsu works in "grandchild subcontractors," small companies that do maintenance and any other work that can be trucked to their shops. Grandchild subcontractors can cause almost no

disruption. Because entrepreneurs can set up small companies fairly easily, each one faces tough competition from others. To unionize them would be a colossal task because Nippon Steel can find a new, nonunion subcontractor if ever the workers at a particular company become overly militant. Workers at the important subcontractors have no more incentive to help grandchild subcontractors than Nippon Steel men have to help Nittetsu Transportation workers.

A typical grandchild subcontractor shop is a grime-covered corrugated metal and cement building with amenities limited to perhaps a ping-pong table in a grubby recreation room. The average worker in the steel industry at companies employing 10 to 99 people works 32 hours a month more than workers in companies employing more than 1,000. He may receive overtime pay for some of those hours, but never at time-and-a-half rates.

Nippon Steel officials say there are 7,400 regular employees at the Kimitsu works and something less than 9,000 subcontract workers inside the mill's gates. Arai estimates that some 10,000 people work for the grandchild subcontractors in the Kimitsu area.

That means that of a total employment roster of perhaps 26,000 people, just over one in four wears the privileged silver hat.

Subcontracting creates a lot of jobs for people who might simply find themselves unemployed in the U.S. because no one will pay them United Steelworkers' or United Auto Workers' wages. Tiny workshops are more common than rice stores in most neighborhoods of Japanese cities. Some 180,000 Japanese manufacture electronic components for subcontractors in their homes. Workshops with less than 100 workers employ 51.5% of Japanese manufacturing employees, compared to 23.4% in America.

Here's the paradox: Though small companies always pay less than large ones, competition among them for labor keeps wages at decent levels and gives Japan's poorest classes a larger share of the nation's income than America's poorest classes get. In one of the few Japanese neighborhoods noted for their poverty, a Japanese minister who had once worked as a missionary in Jersey City told me in the depths of Japan's last recession that he could introduce any alcoholic derelict up to age 35 or 40 to companies that would hire him for Y150,000 to Y200,000 ($700 to $950) a month or more including overtime and bonuses.

This was true even though Japan's unemployment rate at the time was at its worst levels since the 1950s (a bit over 2%). Job-placement officials in New York say that comparable Americans almost certainly could find no steady job at all—though America's per capita GI remains about 10% above Japan's.

The paradox deepens:

A study by the Organization for E nomic Cooperation & Developme found the bottom fifth of Japanese hou holds received more of national inco than the bottom fifth of any major We ern country—nearly 8%. The U.S. figu was 4.5%. Correcting for Americans' te dency to live alone and thus report low "household" incomes, the analysis in cated the poorest fifth of Japanese ceived nearly one-and-one-half times t share the poorest Americans received.

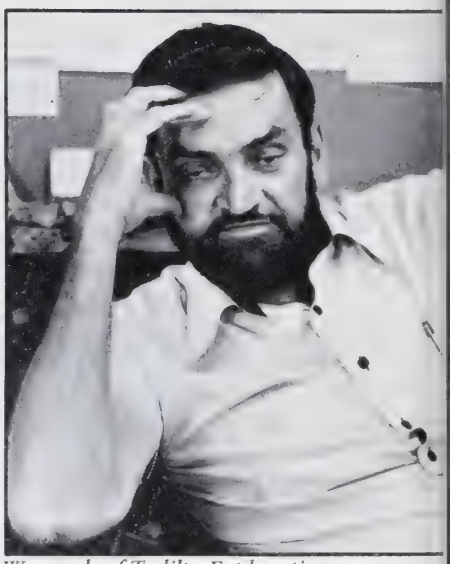
The conclusion is almost inescapab The Japanese system, like the Americ system, creates a privileged caste workers. But unlike the American sy tem, the Japanese system does not ins tutionalize unemployment by holdi wages in any industry so high that peop are kept from working.

You might call it scabbing; U.S. tra unions certainly would. But the multiti wage system has two overwhelming a vantages. It keeps Japanese labor cos down and productivity up while, at t same time, giving job opportunities the least advantaged segments of Jap nese society. ■

Robert C. Wood is a freelancer currently writing book called Why the Japanese Grow Richer a We Don't, *which will be completed early next yea*

Thanks to plant delays caused by the antinuke forces, the U.S. could end up as dependent on foreign uranium as it is on foreign oil.

Another depressed U.S. industry



Warnock of Todilto Exploration
In a business without a future?

By Carol E. Curtis

SHORTLY AFTER THREE MILE ISLAND, uranium producers were still bullish about the price for nuclear fuel. "It's almost as if the accident never happened," one industry spokesman said in May of last year. Even if no new domestic nuclear plants were built, foreign demand for uranium, coupled with the need to refuel existing and planned U.S. reactors, would keep the market strong. So they thought.

The industry was wrong. The price of "yellowcake," or uranium concentrates drawn from raw ore, has plunged from $43 a pound in 1979 to $31, a drop of 28%. Three-fourths of that drop has come since January, when the price was $40; in July prices continued to weaken by 50 cents a pound. Few believe the bottom has yet been reached.

The swift slump in prices is hitting the industry hard. An estimated 20% of all U.S. uranium mines are already closed or have cut back production, and 10% of uranium miners have been laid off. Th atmosphere in the big producing states New Mexico and Wyoming is one gloom as large and small producers r trench or close their doors. "Everyone pulling their caps down over their ea and waiting for a change in the weat er," says Bill Stevens, president of Ker McGee Nuclear Corp., one of the large U.S. producers.

There is a real question whether th

ARE YOU PAYING PEOPLE TO WAIT WHEN YOU SHOULD BE PAYING THEM TO WORK?

Your factory foreman is waiting for a part from Atlanta.

Your Vice-President in charge of Research is waiting for a report to arrive from Seattle.

And your President is waiting for progress reports from all of the above.

Today, it's a good bet that everybody in business is waiting for something to arrive from somewhere.

And the cost in lost time and delayed projects is astronomical.

It's also unnecessary.

Now that the Federal Express system is in place, and overnight* door-to-door, coast-to-coast delivery service is a reality, there's no reason for anyone to wait for anything ever again.

And many firms are now using us on a regular basis.

For instance, a company of Naval Architects in Newport News, sends blueprints to shipyards all over the country by Federal Express.

They could send them by cheaper, slower means but each day's delay could mean that the ship builder would have to pay costly overtime or a $10,000 penalty for a ship's late delivery. Maybe we could save you some money, too.

You can remove the cost of waiting from your company right now by simply sending out a memo to this effect: "Next time they tell you you'll have to wait for something, tell them to send it Federal Express."

The increase in efficiency and productivity will more than offset the cost. Our

prices start at only $19 including pick-up and delivery which is far cheaper than paying people to wait.

And the image you'll create by being "the company who waits for nothing" could give you the edge over the competition.

Call us toll-free at 800-238-5355. In Tennessee, call 800-542-5171. And see what it's like not to have anyone in your company waiting for anything.

It could change everything.

* Monday through Friday. Saturday delivery by special request at an additional service charge. © 1980 Federal Express Corporation. All services are subject to the current Federal Express Corporation Service Guide.

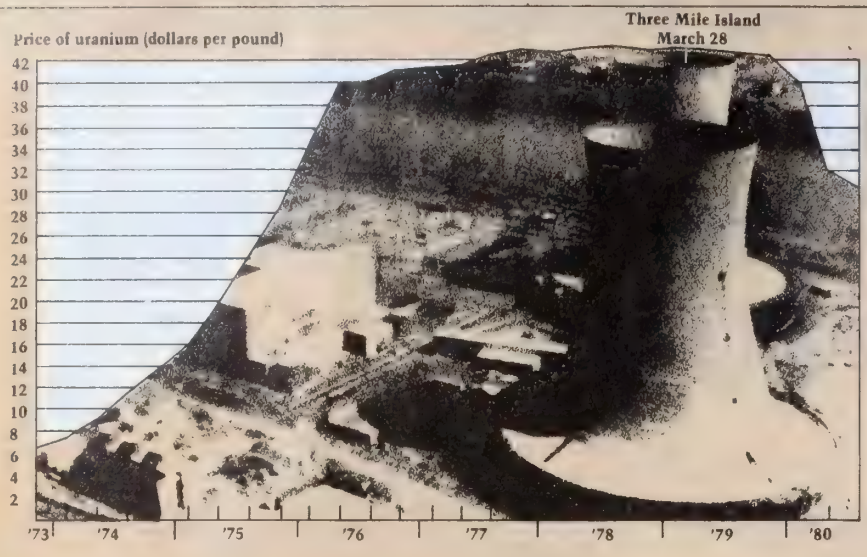
FEDERAL EXPRESS

WHY WAIT WHEN YOU DON'T HAVE TO?

For a copy of our latest annual report please write to: Mr. Daniel N. Copp, P.O. Box 727, Dept. 371, Memphis, TN 38194

The meltdown in uranium prices

Uranium producers were confident they could ride out the gloom from Three Mile Island. But the slide has begun, with prices plummeting to their lowest level in five years. A major reason: Cash-hungry utilities are selling off inventory at distress prices.



Source: Nuclear Exchange Corp.

weather will improve soon. Many forecasters whistled past the graveyard after Three Mile Island, thinking that political fallout from the March 1979 accident would be short-lived. Instead, the Nuclear Regulatory Commission has failed to issue a single unrestricted operating license since the accident. "The U.S. has 14 plants awaiting licenses that are effectively ready to run," says George White Jr., senior vice president of Nuclear Exchange Corp. (NUEXCO), which tracks prices for the industry. "The price slump is going to be hurting the industry for a considerable period," says David Snow, a leading uranium analyst with A.G. Becker and one of the few who predicted the current slump. Adds Marc Cohen of Kidder, Peabody, "The outlook looks bad for at least the next half-decade."

About 45% of all U.S. uranium is produced by oil companies, for whom it is a relatively small part of total operations. These producers—including Exxon, Getty, Sohio, Chevron, ARCO, Gulf, Conoco and Mobil—can put exploration and development on a back burner and wait out a long slump. But they are still feeling the pinch. For example, Anaconda, which is owned by ARCO, said in July that it is closing a large mine employing 400 workers.

Less able to withstand sustained losses are the large, multimineral companies for whom uranium is an important part of total revenue. These include United Nuclear and Kerr-McGee, and represent 40% of U.S. output. They are already taking it on the chi

United Nuclear, the nation's largest i dependent producer, had a drop of $2 million in profits from its uranium ope ations in fiscal 1980. It is cutting bac production, and has laid off 700 worke so far this year.

Kerr-McGee, another big producer, also losing money on uranium. Ker McGee's uranium operations moved in the red in 1979, posting a deficit $200,000. "We haven't made any sp sales this year," complains nuclear chi Stevens.

For the 250 small companies whos only business is uranium and who a count for 15% of U.S. production, th current slump is likely to prove fatal.

In the Ambrosia Lake area outside A buquerque, N.M., the head frames small uranium mines dot the landscap like derricks on a Texas oilfield. Ambr sia Lake churns out 50% of all U.S. uran um, and it is here that many small ope ations are preparing to close their doors

Typical of the disappearing produce is Albuquerque's tiny Todilto Explora tion & Development Co., which mine and sells about 75,000 tons of crude o each year to United Nuclear and Home stake. "We fully expect to be one of th casualties," says George Warnock, a ge ologist and president of Todilto.

A key element in the survival of com panies such as Warnock's is the grade ore they must mine to make a profit. A $43 a pound, Warnock says he coul profitably mine ore containing as little a 1.2 pounds of yellowcake per ton. Now the company must average 3 pounds pe ton. Unless prices turn up, Warnoc gives his company six months to a yea to survive. "The slump is costing us th future," he says.

If prices continue to erode, the doo will open for foreign producers to grab big chunk of the future U.S. market. I Australia, rich deposits containing 4 pounds per ton of yellowcake make i possible to produce uranium at a far low er cost than in the U.S. Some utilities ar already signing large foreign contracts On July 17, American Electric Power sai it contracted with two Australian com panies for 4.5 million pounds of uraniu at $31 a pound. "In a bloody price wa foreign producers could probably com close to closing the U.S. industry down," says NUEXCO's White.

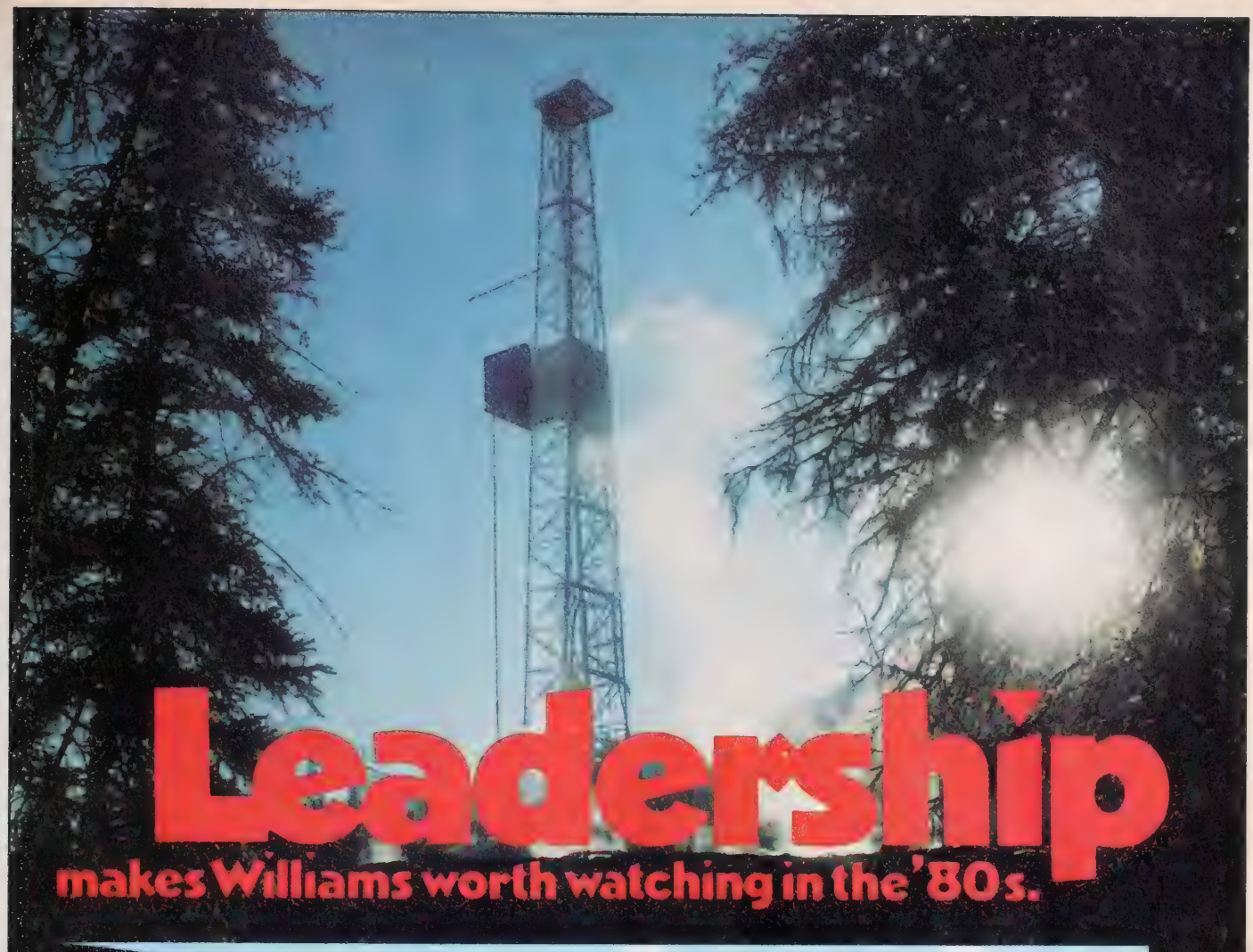
A 1964 law mandated U.S. utilities t use only domestic uranium. But Con gress has now modified that law to allow utilities to use a gradually increasin amount of foreign fuel. This year, a maxi mum of 30% foreign uranium is permit ted, rising to 100% by 1984. The U.S now imports about as much uranium a it exports. The irony is that utilitie seeking to cut reliance on OPEC oil coul find themselves trading one form of en ergy dependence for another. ■

The uranium shuffle

With half the nation's uranium now costing over $30 a pound to produce, some mining companies have been closing their mines, buying cheap uranium from overstocked utilities and selling it at higher contracted prices to other utilities. This uranium shuffle began early this year, when utilities realized that their uranium inventories were full—and likely to remain so. A number of them then began to liquidate their inventories on the spot market, sending prices tumbling in earnest.

When the price of uranium fell below $40, some producers began to realize they could pick up the fuel from their own utility customers for less than the cost of mining it. With interest rates near 20%, selling uranium inventories that wouldn't be needed until a later date became, as one industry source puts it, a "very seductive" way for utilities to raise capital.

Though interest rates have now come down, certain utilities are still eager to unload idle inventories. New Orleans, La.-based Middle South Utilities wants to sell 200,000 pounds of uranium at $35 a pound to raise capital for Louisiana Power & Light Co., a subsidiary facing delays on its Waterford 3 nuclear power plant. Says a Middle South spokesman, "Louisiana Power & Light is in a cash-flow squeeze, and they need the capital worse than they need the fuel."—*Jonathan Greenberg*



Leadership

makes Williams worth watching in the '80s.

The Williams Companies *invested over half a billion dollars during the '70s to become a resource-rich energy company.*

During this period, ***Williams Exploration Company*** *was built from scratch into a very successful oil and gas exploration, development and transportation firm with substantial production and an enviable inventory of undeveloped leases.*

Williams Pipe Line Company *has owned and operated the world's largest independent common carrier petroleum pipeline system for 15 years, but major expenditures during the '70s lengthened its system to 8,500 miles, increased capacity and broadened service lines to enhance its leadership position.*

In 1977, Williams acquired a 27.5 percent interest in ***Peabody Coal Company,*** *the largest coal producer in the United States. Peabody's proven reserves are almost 9 billion tons, and Williams' interest equates to 90 tons of coal reserves for each share of Williams' common stock.*

But Williams is more than an energy company. *Williams also invested over three-quarters of a billion dollars during the '70s to strengthen its fertilizer and metals businesses, achieving strong leadership positions in these two essential industries, as well.*

Leadership, along with corporate balance and increased earnings make "Williams worth watching in the '80s." Learn more about Williams (WMB-NYSE) by writing L. R. Francisco, manager-investor relations, The Williams Companies, One Williams Center, Tulsa, OK 74172.

WILLIAMS

THE FERTILIZER, ENERGY AND METALS COMPANY

Agrico Chemical Company • Williams Exploration Company • Williams Pipe Line Company • Edgcomb Metals Company

If you think your premiums are paying for your competitors' losses,

check with the leader.

Controlling insurance costs can go a long way toward improving the bottom-line results of your company. As the world's leading broker, Marsh & McLennan can help you develop the most cost-effective method of administering your risk management program.

We can identify the areas of coverage where your loss experience is better than the average for other companies in your industry —and develop loss-sensitive programs based on your loss history

that give you credit for the quality of your operations and improve your cash flow. So you don't pay for your competitors' poor loss records.

Improving your loss record

High loss ratios not only ultimately increase insurance costs, but interfere with your company's productivity as well. M&M Protection Consultants, our loss-control specialists, develop hazard-control programs that are effective in reducing losses and which lead to lower insurance premiums.

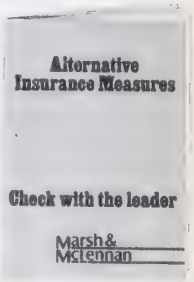
When a loss does occur, we can help you settle the claim through the most advantageous claims management plan.

More ways to control costs

Marsh & McLennan can help you reduce your fixed premium costs in other ways, too. For example, we can analyze your level of risk retention and recommend appropriate deductibles or risk-retention levels.

Altogether, Marsh & McLennan has the people, organization, experience and negotiating power in the insurance marketplace to provide the most cost-effective coverage for all your company's assets.

For more information on controlling your company's insurance costs, write for a copy of our booklet "Alternative Insurance Measures" to: Mr. Robert Clements, President, Marsh & McLennan, Incorporated, Dept. 10FB, P.O. Box 839, Radio City Station, New York, NY 10101.



When it comes to insurance, come to the leader.

Marsh & McLennan

© 1980, Marsh & McLennan, Incorporated

Five dollars nowadays won't get you a box seat and a bag of peanuts at most ball parks, but it will still buy you one share of common stock in any one of 56 Big Board companies and leave you with change.

Cellar dwellers

To the showers

Losers, yes. Most of the 56 stocks listed below, all selling under $5, are not of institutional quality and cannot be margined. But most of these companies will survive for a comeback in another season.

Company	Recent price	Price range 1970-80	Latest 12-month earnings per share	Price/ earnings ratio	Tangible book value per share[1]	Tangible book/ price	Industry
Institutional Investors Trust	1⅛	19⅞– ⅞ [2]	d $1.36	def	$ 0.11	0.10	Real estate investment trust
Lehigh Valley Industries	1⅛	8½– ½	d 2.38	def	neg	NM	Multicompany
First Pennsylvania Mortgage Trust	1⅜	30⅝–1⅛ [3]	d 1.40	def	0.50	0.36	Real estate
BT Mortgage Investors	1⅞	34⅝–1 [3]	d 0.56	def	1.29	0.69	Real estate investment trust
Southmark Properties	2	39¾–1	d 0.10	def	2.27	1.14	Real estate investment trust
National Homes	2¼	38⅜–1¾	d 0.04	def	4.72	2.10	Building
Winnebago	2¼	48 –1¾	d 0.68	def	3.02	1.34	Mobile homes
GMR Properties	2⅜	21¾–1 [3]	d 0.28	def	2.21	0.93	Real estate investment trust
Mobile Home Industries	2⅜	33¾–1½	0.21	11.3	1.81	0.76	Mobile homes
Itel Corp	2¾	37½–1⅞	d 19.72	def	neg	NM	Leasing
Republic Mortgage Investors	2¾	23⅛– ½	0.10	27.5	4.34	1.58	Real estate investment trust
Ronson	2¾	10⅛–1½	0.07	39.3	4.79	1.74	Electrical equipment
Texfi Industries	2¾	67½–2¼	d 4.31	def	7.71	2.80	Textiles
Pueblo International	2⅞	23¼–2⅛	0.85	3.4	7.02	2.44	Groceries
Arctic Enterprises	3	45½–1¼	d 3.67	def	6.90	2.30	Snowmobiles
GF Business Equipment	3	14⅝–2⅜	d 0.28	def	15.49	5.16	Office equipment
JW Mays	3	32½–2¾	0.08	37.5	13.29	4.43	Retail
ICN Pharmaceuticals	3⅛	36⅞–1¼	d 0.90	def	0.54	0.17	Ethical drugs
Pier 1 Imports	3⅛	30⅞–1	d 1.36	def	0.29	0.09	Retail
South Atlantic Financial	3⅛	25½–1¼	d 1.91	def	3.57	1.14	Real estate investment trust
Tri–South Investments	3⅛	34¾– ½	0.71	4.4	6.28	2.01	Real estate investment trust
Bobbie Brooks	3¼	21½–1	d 1.16	def	7.89	2.43	Apparel
UMET Trust	3¼	33⅜– ⅞	d 0.93	def	1.58	0.49	Real estate investment trust
United Park City Mines	3¼	6½–1⅛	0.13	25.0	3.29	1.01	Mining
Farah Manufacturing	3⅜	49¼–2¾	0.35	9.6	2.61	0.77	Apparel
Midland Mortgage Investors Trust	3⅜	18½–1	1.05	3.2	2.04	0.60	Real estate
Steego Corp	3½	5½–1½	0.66	5.3	6.14	1.75	Auto parts
Superscope	3½	40⅞–3⅛	d 6.71	def	14.74	4.21	Electronics

[1] [illegible] Poor's [2] [illegible] year price range [3] 9-year price range [4] Formerly known as Diversified Mortgage Investors. [5] Latest 13-month earnings
[illegible] deficit. neg: negative. NM: Not meaningful NA: Not available

EXCUSE US IF we drop into sports-page lingo here. It seems appropriate, though, in view of the sport-ıg character of most of these stocks. 'hy run the list of losers, then? Well, ›sers can become winners, as every fan the Houston Astros can testify. A few these 56 under-$5 stocks almost cer-inly will become winners. A fair num-er will if the early summer rally turns ıto a full-fledged bull market.

The name of the game is leverage: 'hen a cellar-dweller makes its move, a zable percentage gain results from a ırge of just a few points. Stocks selling r under $5 are too risky for most insti-ıtional investors and usually cannot be ırchased by individual speculators on argin. But when a stock breaks out of s low-price slump it can gain additional ice strength from the demand of insti-tions and margin buyers.

Just a few years ago many of the securi-es on our roster were real champs. Or at ast they looked like champs if you ent only by their price momentum. ost of these stocks were selling at earnings and book value multiples that were right out of the ball park. As a group these stocks are now down 36% to 96% from their ten-year highs.

Twelve are real estate investment trusts. Not one of the real estate investment trusts on our list is presently paying out a cent in dividends. The list also contains several companies in the automotive, mobile-home and grocery industries. A turnaround in any of these industries is quite possible.

The cellar dwellers are not income stocks. In fact, only Steego, Adams Drug, Adams-Millis, House of Fabrics and Borman's are currently paying dividends. The Borman's dividend seems to have as much chance of lasting as a tired right-handed relief pitcher facing Reggie Jackson with the bases loaded and no one out in the bottom of the ninth. Unlike Reggie Jackson, Borman's, a grocery chain, earned only 1 cent a share during the last 12 months.

Thirty-two of our cellar dwellers are running in the red and, unless they clean up their acts soon, some of them might be headed back to the minors or released outright. Itel lost $19.72 a share in the last 12 months. Superscope hasn't had a winning quarter since the third quarter of 1977, and American Motors, the smallest domestic automaker, lost almost $85 million in its fiscal third period.

History proves that some of the cellar dwellers will approach their former highs and again become first-division contenders. One thing is certain—you cannot go much lower than the basement. Even a return to book value would represent a sizable appreciation for most of these stocks. White Motor, for example, could double and would still be selling at a 60% discount from book.

Feel like a whirl in stocks like these? A word to the wise then: Buy a batch of them, not just one. For about $5,000 or a bit more, you could buy 100 shares each of 20 of these stocks. Then, if some go bust you will have plenty of others with a chance to bail you out. A dart board is as good a way as any to pick 20. Or, hell, for less than $20,000 you could buy 100 shares each of all 56.—*Steve Kichen*

Company	Recent price	Price range 1970-80	Latest 12-month earnings per share	Price/ earnings ratio	Tangible book value per share[1]	Tangible book/ price	Industry
Telex	3½	31⅞– ⅞	$ 0.08	43.8	$ 3.31	0.95	Computers
Aileen	3¾	29½–1⅜	0.58	6.5	7.76	2.07	Apparel
Arlen Realty & Development	3¾	24¾–1	d 1.42	def	neg	NM	Real estate
Borman's	3¾	14⅝–1⅛	0.01	NM	11.16	2.98	Groceries
North American Mortgage Investors	3¾	36⅛–2⅝	d 0.36	def	5.23	1.39	Real estate investment trust
Adams Drug	3⅞	26¾–1⅜ [2]	0.62	6.3	7.09	1.83	Drugstores
Elixir Industries	3⅞	39 –2	d 0.52	def	8.57	2.21	Mobile homes
Genesco	3⅞	39¾–2⅝	0.37	10.5	neg	NM	Retail
DMI[4]	4	32¾– ⅞	d 0.29	def	7.89	1.97	Real estate investment trust
Berkey Photo	4⅛	26¾–1⅞	0.63	6.5	4.66	1.13	Recreation
Kroehler Manufacturing	4⅛	47¼–3¼	d 13.07	def	14.03	3.40	Furniture
LLC Corp	4⅛	22¾–1½	0.05	NM	3.31	0.80	Finance
Fedders	4¼	50 –2½	d 3.84	def	2.16	0.51	Appliances
Safeguard Industries	4¼	NA	d 0.59	def	5.66	1.33	Auto parts
Sambo's Restaurants	4¼	24¼–2⅝	d 6.26	def	2.47	0.58	Fast foods
National Tea	4⅜	14¾–2	0.84	5.2	7.22	1.65	Groceries
Pamida	4⅜	24⅝–2½	0.37	11.8	7.10	1.62	Retail
White Motor	4⅜	32¼–3¾	d 1.48	def	23.78	5.44	Automotive
F&M Schaefer	4½	59 –2	d 2.32	def	neg	NM	Brewing
Uniroyal	4½	23⅝–3⅛	d 5.22	def	16.89	3.75	Automotive
Chock Full O'Nuts	4⅝	10⅞–1¾	0.88	5.3	3.92	0.85	Fast foods
Jewelcor	4⅝	37⅞–1⅜	0.51	9.1	11.92	2.58	Jewelry
State Mutual Investors	4⅝	28 – ¾ [3]	0.34 [5]	13.6	7.02	1.51	Real estate investment trust
Talley Industries	4⅝	36⅜–4¼	d 1.65	def	10.16	2.20	Precision instruments
Adams-Millis	4¾	19⅝–1¾	0.60	7.9	10.77	2.27	Textiles
American Motors	4⅞	13⅜–3¼	d 1.92	def	14.22	2.91	Automotive
Growth Realty Companies	4⅞	35 – ¾	d 1.15	def	7.22	1.48	Real estate investment trust
House of Fabrics	4⅞	29⅞–3⅜	0.49	9.9	8.89	1.82	Retail

[1] Source: Standard & Poor's. [2] 8-year price range. [3] 9-year price range. [4] Formerly known as Diversified Mortgage Investors. [5] Latest 13-month earnings
d, def: deficit. neg: negative. NM: Not meaningful. NA: Not available.

Coca-Cola Bottling Co. of N.Y.'s horror story of diversification may yet have a happy ending.

Born-again bottler

By Steven Flax

FACING UNSMILING STOCKHOLDERS of the Coca-Cola Bottling Co. of New York (1979 sales, $488 million) at their annual meeting in April, CEO Charles E.F. Millard spoke like a repentant sinner: "The soft-drink business has been, is and will be the cornerstone of this company. It is our heritage, it is our birthright, it is our very essence. We appreciate that fact all the more now that we have learned from the mistakes of the acquisition program."

Millard wasn't kidding. By the beginning of this month, he had stripped his company back down to the beverage business—bottling and wine. Gone were all his leisure, home products and communications subsidiaries. The cost: a $22 million second-quarter writedown.

In a trice, Millard undid the work of nine years, during which Coke of New York had diversified widely. It did so for what seemed good reasons at the time: The threat of antitrust suits against exclusive franchise territories were unsettling Coca-Cola's bottlers; also regulations on ingredients and packaging were impending. Moving gingerly at first it bought Mogen David (wine) Corp. in 1970. Subsequently it picked up Igloo Corp. (1972), a manufacturer of insulated plastic beverage coolers and picnic chests, and the Franzia and Tribuno wineries (1973). In 1976 it bought the Delta Queen Steamboat Co. Then came 51% of WIXT-TV of Syracuse, N.Y. (1977); and Jeannette Corp. (1978), a maker of glass, china, plastic and candle products. "The common thread in all this?" a shareholder once asked. William J. Sullivan, the executive vice president, could only reply lamely, "The consumer."

No sooner had the wineries been acquired than the Federal Trade Commission filed an antitrust suit requiring the divestiture of Franzia because of the Mogen David connection. After five years of litigation and millions of dollars in legal fees, the complaint was dismissed.

Meanwhile the riverboats started leaking money. A new boat, the Mississippi Queen, began having shakedown problems. Travel agents were warning customers off the cruises. Although they were profitable until 1976, the steamboats lost $3.8 million in 1977 and another $1.9 million in 1978.

Millard admits that Coke of N.Y.'s management couldn't really get control of the riverboat division. He says, "We didn't deal with their problems well."

Coke of N.Y.'s Millard
Happiness in his own backyard.

Jeannette was the worst disaster. Much of its china was sold to supermarkets for resale at low prices as promotional items. But no sooner had Coke of N.Y. acquired Jeannette than the supermarkets shifted their promotion strategy to "double value" coupons. Jeannette's outlets dried up. At the same time two competing glass manufacturers went out of business and flooded the market with goods at distressed prices that Jeannette couldn't match. After 15 straight years of profitability, it turned in a $5 million loss in 1979.

All this has taken a heavy toll. Since the acquisitions started, net profit margins have been cut by half. The nearly 2 million shares, which sold at 10½ i 1977, slumped to as low as 3⅞ this yea (the Coca-Cola Co. owns only 9.5% Long-term debt, $1.1 million in 197 had grown to over $92.4 million by yea end 1979, when total debt far exceede net worth. The bottom line: Coke c N.Y. is now making 3 cents on the dolla

The diversification program wa thrown into reverse. In April, the rive boats were spun off to shareholders, wit Coke of N.Y. absorbing all but the com pany's maritime debt and setting afloat with over $14 million in workin capital. The Syracuse, N.Y. TV station being sold to North American Broadcas ing Co., which already owns 49%. Ther late last month, Millard took the fina step: Coke of N.Y. discontinued the Jear nette operation, took a $22.6 millio writedown and a $19 million secon quarter loss. The common dividend wa cut from 11 cents quarterly to 4, an Coke's top management took a 21% cu in pay (Millard's was cut 40%).

Millard even got rid of Igloo, his priz acquisition, to Anderson, Clayton & C for $50 million cash. Why sell a compan whose sales were growing twice as fas as bottling? "We couldn't afford to fun both properly," says Millard. "We've pu our money into the soft-drink and win division."

Now Millard can turn his undivide attention to the bottling division, wher he has the largest franchise in the U.S serving over 24 million people. In th Northeast, where Coke of N.Y. gets 80% of its revenue, the company has expanc ed its market share about 20%. Th Pepsi challenge, which savaged the Cok bottling franchise in Dallas, for exampl has been notably weak here.

Millard has plenty of problems in hi bottling business, however. New bottl laws in some of his areas are raising th costs of handling returnable container and sugar prices have been soaring. Bu even under this pressure, New Yor Coke's unit volumes for both soft drink and wine are growing at a respectabl 10%. First-half earnings from the cor tinuing operations ran just about eve with last year's, and now they'll no long er have to carry losing divisions.

As Millard gets his hands on mor high-fructose corn sweetener, cost pre sures should moderate. Here's the rea irony: Two years ago the FTC finall brought the long-awaited antitrust ac tion against Coca-Cola's practice c granting exclusive territories to it bottlers. In early July, however, Congres ruled in Coke's favor. One of the mai reasons behind the diversification ha disappeared.

Now it should be interesting to watc New York Coke flex its considerabl marketing muscle, unfettered for th first time in the bottling business. ■

Forbes
SPECIAL ADVERTISING SECTION

A Close Look at the Philippines

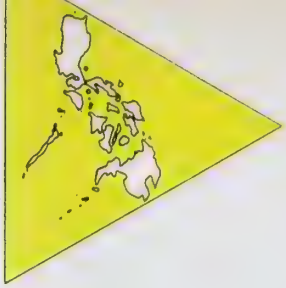
Getting the Correct Focus

Short-time visitors will search for something original in the Philippines, a country awash in the world's great cultural, political and commercial tides. When China, Persia and India dominated the ancient Oriental trade, the Philippine archipelago was an invaluable way station, being driven along the routes of trading boats.

It was through there and trade ships that Islam found its way to the Philippines. And it was the rivalry between Portugal and Spain over the control of that lucrative Oriental trade that eventually placed the Philippines on the world map — as a Spanish colony subject only to the transshipment of goods from China and the "Far-Flung East" to Mexico and Europe.

The Philippines' prime trading port in Manila was opened to world trade in the early 19th century, ushering in new traders from various nations whose influences helped fashion the cosmopolitan character of the country's metropolitan sections. This social mix now induces diplomats to consider the Philippines among the original models of assimilation. The Chinese wife of the Indian envoy currently serving in Manila declared: "Why would we live at home in the Philippines?"

She further claims that the Philippines is the only country in Southeast Asia that is equally hospitable to both Eastern and Western ideways. In one street, for instance, a Buddhist temple stands serenely just a stone's throw away from a bustling pork supermarket. Such cultural blending, however, sometimes proves a trial. A writer from India expressed pleasant surprise upon finding Filipino food, ideas and social rituals very almost to the Indians.



"Before I came here," he said, "I thought Filipinos would look and talk like Americans." He had read once that the Philippines was branded as the "Wild West of the East."

The blurred image that the Philippines presents to a few Western observers may be due to their lack of perspective or insufficient background knowledge. They are baffled, for one, by the stability of the leadership of President Ferdinand E. Marcos since the declaration of Martial Law eight years ago, while other Asian leaderships have been toppled, ruined, or endangered by opposing political forces

On the other hand, there are those who are able to see the Philippines with the proper focal point. Placing in context such items as the country's industrial estates, mass housing programs, developed superhighways, irrigation and hydro-electric projects, and agricultural experimentations, they are impressed by the Philippines' fast economic growth.

To provide foreign observers with an objective picture of the Philippine economic situation, it is necessary to see trends and developments in encapsulized summation vis-a-vis the long-term goals of the government.

Economic Trends

As in other developing nations, economic growth in the Philippines remains sensitive to external conditions, particularly the upward trend of world crude oil prices

Inflation, which has been giving the world's economic planners nightmares, was the dominant issue in the first quarter of 1980, and Philippine President Ferdinand Marcos personally directed that government efforts be focused on checking the spiralling inflation rate

Statistics provided by the National Economic and Development Authority (NEDA) showed that the consumer price index for the first quarter ranged from 23 to 25 percent and, as expected, tended to be higher in urban areas compared to the countryside.

Among the more significant trends during the first quarter was the decrease in the country's balance of payments deficit from $205 million to $25 million over the corresponding period last year. The deficit was partly due to a heavy import bill that chalked up a $690 million trade deficit. Another contributing factor was the increase in oil prices which added $444 million to the bill.

The manufacturing sector registered a sluggish growth rate of two percent compared to last year's 5.2 percent. The food sector's 4.4 percent growth rate was 3.2 percent below last year's level. There was an evident lag in the production of textiles, wood, chemicals, furniture, and other similar products. Manufacturers blame the slack in demand for this deceleration

The coconut industry, an export receipt earner, showed signs of distress, with total sales plunging by 70 percent, from $215 million to only $63 million. The sharp decrease was brought about mainly by the very low demand for coconut products in the world market. Export of sugar, the Philippines' other principal foreign exchange earner, also dipped from $60 million to $50 million

A general rise in sectoral prices was noted. Fuel was up by 34 percent. The service sector's prices rose by 34 percent. The markup in clothing was 32 percent; fish products, 53.5 percent—the highest; and cereals, 27.4 percent

Goal: Energy Self-Sufficiency

Sales of petroleum products dropped by 248,000 barrels or 3.5 percent in February, compared to consumption figures for the same month last year. Statistics from the Ministry of Energy showed that petroleum sales in February declined to 6.7 billion barrels compared to seven billion last year.

The drop in sales was starkly evident in "White" products such as premium gasoline, which fell to 124,000 barrels; regular gasoline, 197,000 barrels; kerosene, 48,000 barrels and aviation gas, 5,000 barrels

Industrial petroleum fuels, however, registered increases. Diesel fuel sales went up by 49,000 barrels; fuel oil by 40,000 barrels; and jet fuel by 36,000 barrels, indicating a continued upsurge in industrial activity. Sales of LPG or cooking gas also rose by 17,000 barrels

Principally because of the oil crunch, from which the country suffered considerably these last few years, the government has continually placed strong emphasis on oil exploration and the search for alternatives to fill the country's energy requirements. The long-term goal is self-sufficiency

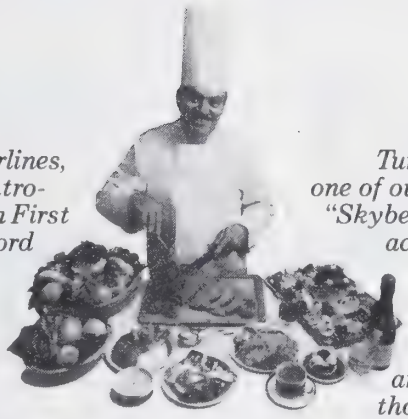
Although oil exploration in the Philippines started in the 1800s, with the first recorded oil well drilled in Cebu in 1896, it was, until recently, an intermittent and often fruitless endeavor. Only the shockwaves caused by the 1973-1974 energy crisis shook the country from the smugness brought about by the erstwhile cheap cost of crude oil. An aggressive and systematic oil exploration program was initiated by the government. Similar moves were also made to develop geothermal, hydroelectric and non-fossil-based energy resources. The government has since allotted vast areas, both on land and offshore, for exploration by foreign companies or consortia from the United States, Europe and Japan

The effort paid off. The first strike made the headlines in March 1976. The gusher was struck at Nido (Central Philippines), and oil began to flow early in 1979. By the end of the year, the Nido complex of three wells was producing 40,000 barrels a day. Other strikes have been made at Matinloc and Cadiao in Northwest Palawan, and the Cagayan Valley basin. Nido now produces 15 percent of the country's needs, although it might sometime in the future be able to reach the 20 percent mark

The Matinloc oil field will be put into

President Marcos addressing the American Newspaper Publishers Association in Honolulu dispelled doubts about the Philippines' eight-year martial law regime and generated better understanding of the posture between the Third World and superpowers

The smartest Orient-bound businessmen are lying down on the job.



Philippine Airlines, Asia's first airline, introduces the last word in First Class. On the last word in 747's.

Settle down in deep, wide easy chairs with specially designed adjustable backs and unique sculptured headrests for the most relaxing trans-Pacific flight you've ever experienced.

Select from choice Philippine and Continental entrées. Or our La Nouvelle Cuisine — the new, lighter French style of cooking that has won us a gourmet society's award as the finest food in the air.

Sample a distinguished list of complimentary French champagne and wines or your favorite cocktail.

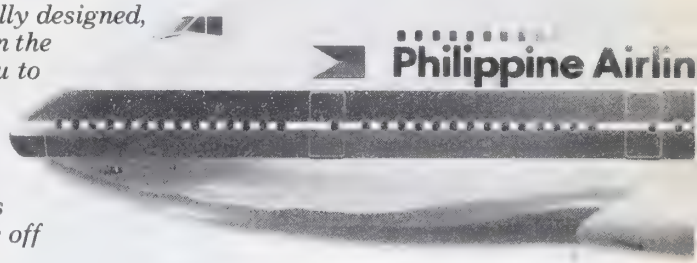
Catch the latest show on our new wide-screen entertainment system, complete with custom stereo headphones and the latest movies.

Turn in for the night in one of our 14 full-length "Skybeds" — the only beds across the Pacific to Manila. Every single night of the week.*

It's our very special "Cloud-Nine Service," and the beds are so thoughtfully designed, they're the only ones in the world certified for you to sleep in, landing and taking off.

When you take off trans-Pacific on Philippine Airlines First Class, we'll take off 25% on your round-trip fare! How's that for First Class treatment?

And Philippine Airlines' First Class wide-body service stays with you throughout the Orient with convenient wide-body connections in Manila to all the close-by business and vacation capitals of Asia.



So next time you're flying First Class to the Orient on business, the first airline you should think of is Asia's first airline.

Philippine Airlines.

And take your next business assignment lying down.

*Available in First Class only for a nominal surcharge

Philippine Airlines

First Class on Asia's first airline.

production some time this year following successful drill stem tests at Matinloc 2 last March 9. The country's test gusher will be producing 7,000 barrels of high quality crude daily. At this rate, the daily production of the Matinloc field, including that of the discovery well, Matinloc 1, would total 16,000 barrels a day. When tested last year, Matinloc 1 had a stabilized flow rate of 9,000 barrels.

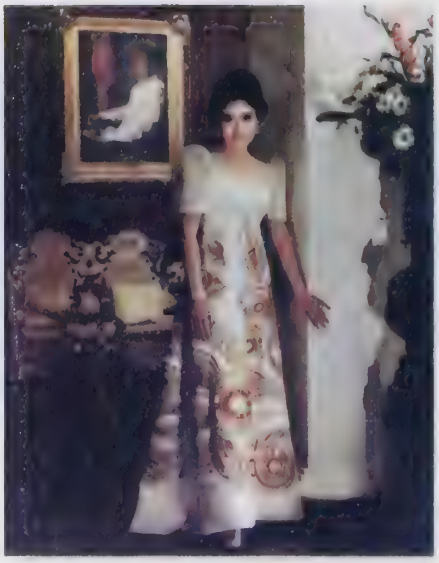
On January 1, 1979, the President switched on the country's first geothermal turbine in Tiwi, Albay. The geothermal plant is one of four in Bicol. The next to be put into operation was in Laguna, south of Manila. About 50 more geothermal wells were being drilled elsewhere in the country by the end of the year

In theory, the Philippines has potential for generating 200,000 megawatts of power in 25 separate areas, but though the government has embarked on a crash program to develop such energy source, there is little chance that more than 800 megawatts can be produced by 1987

The nuclear power plant being constructed by Westinghouse in Bataan should be able to produce 620 megawatts when it is swtiched on in 1983, provided it can still stick to the original timetable. Hydroelectric power supply is also undergoing expansion. With the Pantabangan Dam in Central Luzon, the Magat Dam in Isabela and the Jalaur Dam in Panay, the country will definitely be taking a step nearer energy self-sufficiency

Alcogas and Cocogas

Two distilleries are being planned to produce alcogas—a fuel mix of sugarcane, cassava and alcohol developed by Filipino scientists. With 10 distilleries in operation by 1986, an annual alcogas production of 304 million liters could be attained, according to government planners. In February, the President issued an executive order forming an Alcohol Commission to start production of alcohol for blending with gasoline. In another move to



Mrs. Imelda Romualdez Marcos, the First Lady of the Philippines, concurrently governor of Metropolitan Manila and Minister of Human Settlements

Allied Bank

AT ALLIED BANK, WE ASSIST CLIENTS GROW AND PROSPER. THAT IS WHY WE LIKEWISE GROW.

INTERNATIONAL OFFICES

SUBSIDIARY OFFICE:

ALLIED CAPITAL RESOURCES LTD.

A wholly-owned subsidiary of Allied Banking Corporation.
SUITE 911 NEW WORLD TOWER, 16-18 QUEENS ROAD CENTRAL, HONGKONG • TEL. NOS. 5-210421/6
CABLE ADDRESS: CAPSOURCE • TELEX: 75694 ABANK HX.

REPRESENTATIVE OFFICES:

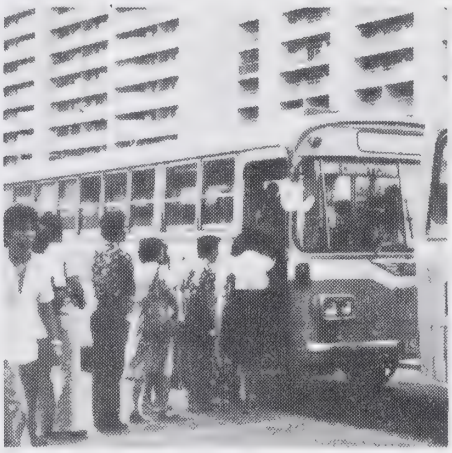
LONDON — 131/133 CANNON ST., 2nd FLOOR, LONDON EC4N 5BL • TELS. NOS. (01) 626-4946, (01) 626-49-47

BAHRAIN — 11/F BAHRAIN TOWER, GOVT. ROAD, MANAMA P.O. BOX 20493 TELEX: 9343 ALLIED BN • TEL. NO. 23-14-45.

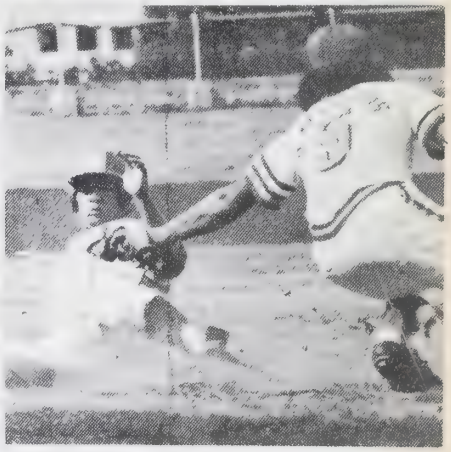
"Grow With Allied Bank"

Member PDIC

Allied Banking Corporation



There's more to us.



There's a world of things we're helping do something about in one of Asia's fastest developing countries.

Traders Royal Bank provides a broad spectrum of banking services ranging from ordinary remittances to import and export documentary credits; from regular discounting lines to Central Bank rediscounting facilities; from personal investment trusts to company pension plans. Ask us about our term loan capabilities or foreign loan guaranty situations, and our wealth of experience in opening trade and business opportunities.

Our involvement is as varied as the many aspects of Philippine economic and social life.

TRADERS ROYAL BANK

Kanlaon Towers Bldg., Roxas Blvd., Pasay City, Metro Manila • Tel. 57-30-61
Cable Address: TRACOBANK Telex: ITT 0051, Eastern 3254

MEMBER PDIC

boost alcohol production, the government guaranteed prospective investors a minimum 5-10 percent profit margin in the production of alcohol for fuel. This guarantee would be in addition to other incentives which are now being extended to pioneer and priority projects by the Board of Investments.

Barely a month later, government scientists reported success in extracting a gasoline-like liquid from ordinary coconut oil which they have named "cocogas." It is to be road-tested shortly by the National Institute of Science and Technology. Initial tests on the cocogas showed qualities similar to gasoline, according to the NIST

Parliamentary Bills

Just before it adjourned last March 28 for the Holy Week recess, the Batasang Pambansa (Parliament) enacted several major bills, notable of which were the Unibanking Act and the new Labor Code

The Unibanking Act amended the General Banking Act, Savings and Loans Association Act, the Private Development Banks Act, the Charter of the Development Bank of the Philippines, Rural Banks Act, Investment Houses Law and the Central Bank Act

Among others, the revisions impose restrictions on the grant of long-term loans by commercial banks, expand the authority of savings banks, allow rural banks to form national networks, subject lending associations to regulation by the monetary board, and classify banking institutions into general categories for purposes of uniformity, simplicity, and equality of treatment.

A consolidated version of two bills, the new Labor Code, makes unfair labor practices a criminal offense and strengthens the right of workers to self-organization and free collective bargaining. Under the old Code, Presidential Decree 442, unfair labor practice constituted only an administrative offense

Management objection to the bill was mainly that it was a violation of the policy which promotes voluntary arbitration and the principle of collective bargaining. Certain provisions of the code were also claimed to be discriminatory to employers.

Transport System Overhaul

In early 1980 the government allocated ₱4.5 billion for the overhaul of the transportation system in Metro Manila. This undertaking includes the improvement of existing road networks and the acquisition of modern facilities for mass transit.

Negotiations with a Belgian consortium to construct a 15-kilometer Light Rail Transit System (LRT) along Rizal and Taft Avenues are in the final stage. This project, which is expected to be operational by late 1983 or early 1984, may cost more than ₱2.4 billion. The rail system is expected to decongest traffic, ease air pollution and save on fuel consumption.

In a related development, the Ministry has been seeking presidential approval for the creation of a mass transit

"We speak the language of money internationally."

If your financial requirements take you halfway around the globe, you need a good speaker. One that speaks your language. And that of the international market.

Land Bank is quickly earning a reputation for being a competent speaker. Backed with a depth of resources, massive financial strength, and an extensive network of globe-wide correspondent banks.

Along with helping you do things right in the multinational market places, Land Bank offers its various international banking services -

- export-import financing
- letters of credit
- foreign exchange
- foreign remittances
- foreign currency deposits
- travelers cheques

Bank with us.

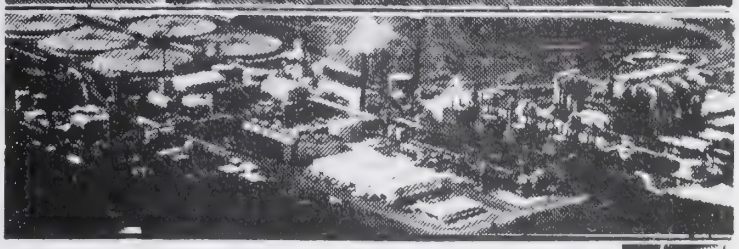
Our International Group with its multinational capabilities is your best bet in dealing with the world.

LAND BANK OF THE PHILIPPINES

The Financial Arm of Agrarian Reform
A Full Service Universal Bank

Manila Office: 6th Floor, B.F. Condominium Aduana St., Intramuros, Manila Tels. 48-47-51 TO 58
Makati Branch: 319 Buendia Ave. Ext., Makati, Metro Manila Tel. 85-62-11
Cable Address: LANDBANK • Telex. RCA 2679 • Eastern 4045

Keeping big and small industries alive and growing.



United Coconut Planters Bank powers Philippine industries to growth and development

United Coconut Planters Bank lives within the heart of the Philippine economy. Providing credit and other banking facilities to sustain the growth of vital industries from agro-industrial projects to massive construction efforts, modern manufacturing and export-oriented activities. Through a nationwide branch network and worldwide correspondent banking relationship.

Talk to the bank that's committed to Philippine economic growth.Talk to United Coconut Planters Bank. The responsive full service private commercial bank.

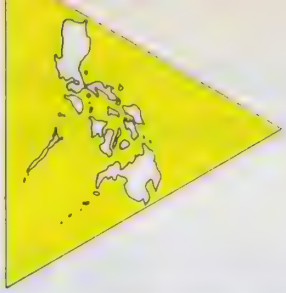
Now, 47 COCOBANK branches nationwide.

United Coconut Planters Bank

The first Filipino private commercial bank with more than 350,000 stockholders.

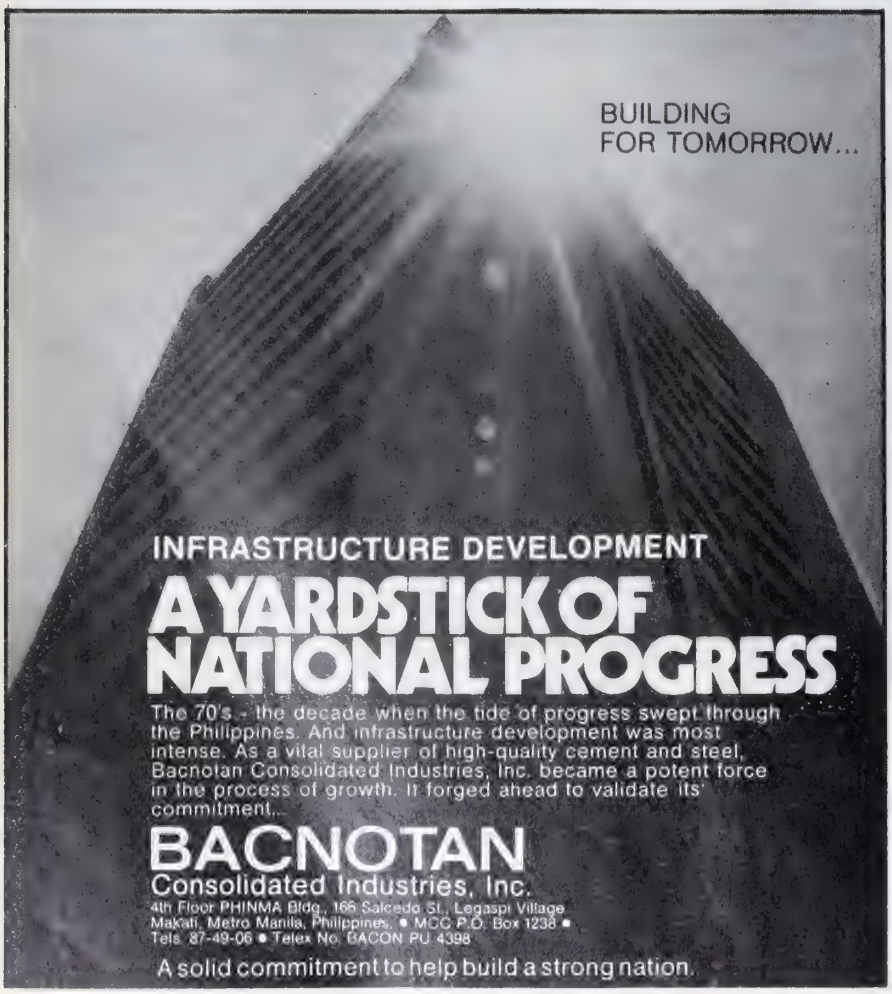
UCPB Building, Makati Ave., Makati, Metro Manila Tel No. 818-8361. Cable Address: Unibank P.O. Box 4230. Telex No RCA 23068

IPAGPATULOY ANG KAUNLARAN MAG-IMPOK SA BANGKO
Member PHILIPPINE DEPOSIT AND INSURANCE CORPORATION (PDIC)



U.S. multinationals have found the Philippines hospitable to foreign investments. Following is a partial list of prominent U.S multinationals with investments in the country

EXXON	UNION CARBIDE	FIRESTONE TIRE & RUBBER	BF GOODRICH
MOBIL	INT'L. HARVESTER	PEPSI COLA	CARNATION
FORD MOTOR	GOODYEAR TIRE & RUBBER	ARMCO	BURROUGHS
INT'L. BUSINESS MACHINES (IBM)	KODAK	COCA-COLA	DANA
GENERAL ELECTRIC (GE)	CATERPILLAR TRACTOR	DEERE	BRISTOL-MYERS
INT'L. TELEPHONE & TELEGRAPH	WESTINGHOUSE ELECTRIC	COLGATE-PALMOLIVE	PFIZER
PROCTER & GAMBLE	ROCKWELL INTERNATIONAL	BORDEN	MOTOROLA
DOW CHEMICAL	KRAFT	EATON	STANDARD BRANDS
		NCR	INGERSOLL-RAND



authority—a separate entity that will direct the operations of the Light Rail System and other systems in order to meet the needs of Metro Manila's 10.5 million daily commuters. It is also expecting approval from the Batasang Pambansa of a national transportation policy that will empower the Ministry to head all projects concerning transportation, such as the construction of roads and bridges in Metro Manila by the Ministry of Public Highways.

Urban Land Reform

The President made another significant move to boost the urban land reform program when he signed a deed of sale for the transfer of the Tambunting estate to the government last Jan. 29. About 1,000 poor families living on the estate benefited from it. Most of them have resided there for more than 20 years, and the assurance of finally acquiring titles to their lots means fulfilment of their dreams

In a supportive move, Mrs. Marcos, who heads the Ministry of Human Settlements as well as the Metro Manila Commission, requested for ₱42 million from the national government to facilitate the zonal improvement program of the place by providing the 11 basic needs of the community: shelter, power, water, food, economic base, education, clothing, medical services, mobility, sports and recreation, and ecological balance

Shortly afterwards, the President signed another deed of sale for the expropriation of the Sunog estate in Balut, Tondo, for more than 1,700 families.

The expropriation of urban landed estates is not meant to deprive the owners of their private property. It is a last recourse when residential tenants are unable to exercise their option to purchase the properties they are occupying. The urban land reform program renovates blighted areas and improves the conditions of the urban poor through systematic land use and equitable distribution of urban landed property. The expropriation of landed estates had been carried out by the government prior to the proclamation of urban land reform. The expropriation concentrated in depressed areas such as Tondo, Manila and Tatalon in Quezon City

A substantial gain in agrarian reform was also notched in Central Luzon when some 16,584 farmers of 113 landed estates received the full ownership titles to their lands. Under the "Operation Land Transfer" program of Presidential Decree No. 27, farmer-tenants of rice and corn

Let your business take root in this promising side of the world.

Look to the fast-rising financial capital of Asia. The Philippines.

Consider its huge potential. Highly literate. English-speaking manpower. Cheap labor rates. Abundant managerial expertise. For expatriates, low maintenance and living costs - the lowest in the region.

Consider significant tax incentives. Clear-cut ground rules for foreign investors. Guaranteed repatriation of profits . . . all amidst a proven and bubbling economic climate.

Consider the Philippines. Bring your business over. And till some of the most fertile investment grounds this side of the globe.

CENTRAL BANK OF THE PHILIPPINES
Manila, Philippines
Tele. 500-797 • 527-[illegible]
• 504-702

BANK WITH
THE FAST-GROWING
COMMERCIAL BANK

VETERBANK

Authorized Government Depository
(Section 27, RA 3518. As Amended by Presidential Decree No. 236)

BANKING SERVICE OFFERED

DEPOSIT FACILITIES

Checking Accounts*
Savings Deposits*
Time Deposits*

FOREIGN TRANSACTIONS

Import and Export Financing
Commercial Letters of Credit
Foreign Exchange
Remittances
Collections
Travellers Checks

LOAN FACILITIES

Commercial
Agricultural
Industrial

TRUST SERVICES*

Trusteeship
Guardianship
Administration
Receivership
Transfer Agent
Safe Deposit Boxes

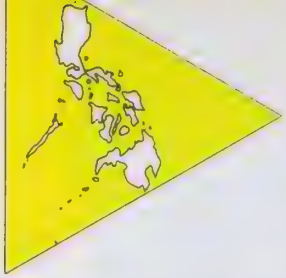
WITH CORRESPONDENT BANKS
IN THE PRINCIPAL CITIES
OF THE WORLD
Member: PDIC & BAP

VETERBANK

Ang Bangko Nating Lahat!

PHILIPPINE VETERANS BANK

A. Bonifacio Drive, Port Area, Manila
Cable: VETERBANK/PHILVETBANK
P.O. Box 2330
TELEX # ITT 742-0109
RCA 72227623
Tel. 489580-89 — 489591 & 92
(Linking all departments)



U.S. MULTINATIONALS WITH INVESTMENTS IN THE PHILIPPINES INCLUDED IN THE TOP 1,000 CORPORATIONS IN THE PHILIPPINES AS OF 1978

CORPORATION	NET SALES (₱000)	TOTAL ASSETS (₱000)	NET INCOME (₱000)
MOBIL OIL	2.157.440	482.565	9 716
PROCTER & GAMBLE	601.519	229.719	32 655
PEPSICO	562.244	416.938	33 311
FORD	480.270	327.038	25 611
COLGATE-PALMOLIVE	442.479	217.156	70.312
CARNATION	332.236	161.000	740
UNION CARBIDE	310.566	156.968	30 245
GOODYEAR	240.028	175.060	35 175
BF GOODRICH	238.774	253.524	30 492
FIRESTONE	215.361	151.378	29.350
IBM PHILS., INC	145.181	172 369	25 272
JOHNSON & JOHNSON	133.455	103.705	10 661
KODAK	122 758	81.780	12.185
COCA-COLA	109.204	114.063	27.574
ARMCO	91 117	201 395	4.068
PFIZER	82.665	48.616	5.292
BORDEN	80.748	78.984	6 632
EXXON	77.821	55.338	2.409
KRAFT	62.062	36.454	6 535
NCR	30.143	44.918	1 011
BRISTOL	21.509	31.589	2.738
DOW CHEMICAL	17.890	11 479	795

agricultural landed estates of more than seven hectares were deemed owners of three hectares of irrigated lands and five hectares of unirrigated land and awarded a Land Transfer certificate. Full ownership of land transferred to farmer-tenants is recognized upon completion of their land amortizations with the issuance of a final Emancipation Patent

The normal period of amortization for the farmers would be about 15 years However, in the case of the 16,584 farmers in Central Luzon, they were able to secure theirs after only seven years. Prompt payment of farmers' amortizations encourages the beneficiaries of the agrarian reform program. The high repayments n the estates may be attributed to increased production and improved farm technology and productivity

Towards Industrialization

The persistently dismal performance of the world sugar market and, more recently, the deteriorating world market value of coconut oil, have upset the government's drive toward agri-business development, particularly in those areas where the production of these crops is the principal source of livelihood. All this makes it imperative to implement a package of economic programs designed to strengthen the country's domestic industrial and agricultural capabilities and in the process engage in a thorough diversification of its exports

The implementation of the 11 major industrial projects which have been conservatively estimated to cost $6 billion has also been accelerated

Contracts for the $350 million copper smelter plant have been awarded and construction of the plant that will rise in Leyte province in the Visayas began last January. Start of the project has been scheduled for early 1983

Two companies, Isuzu Motors of Japan and Maschinenfabrik Augsburg-Nürnberg (MAN) AG West Germany, to which the diesel manufacturing project was awarded, are currently undertaking the detailed engineering of their plants. Commercial operation is expected by next year. Both plants will supply the local truck industry's requirements for diesel engines aside from deliveries to the export market

By 1984 the government shall initiate, in cooperation with the Reynolds Metals Company, an aluminum smelter project At a cost of $450 million, the project will utilize the rich bauxite deposits in the island of Samar.

In November last year the Board of Investments approved two downstream petrochemical plants. The plants—which will have a combined cost of $112 8 million—will produce low density polyethylene and polypropylene. These will be operational by 1983.

As the country's ASEAN industrial project, an integrated pulp and paper mill will go on stream by 1984. This project will cost about $400 million.

We want you to take (comparative) advantage of us.

Some things you can do, *we* can perhaps do better.

Our archipelago is loaded with resources, both natural and human. We export copper and we mine gold. We have silver, zinc, asphalt, marble, coal, limestone and clay. Wood and cane we take for granted. Oil we just struck again the other day. And we're rapidly becoming one of the world's largest users of geothermal power.

Our labor force speaks your language—whether you're talking electronics, garments or car manufacturing. English is our medium of instruction. The Filipino worker's generally high level of education makes him adaptable, easy to train in new skills.

What's more, our country is right at the heart of the world's fastest-growing economic region, the Pacific Basin. We're strategically located—whether you want to reach your markets faster, to transship your exports, or to relocate your regional headquarters.

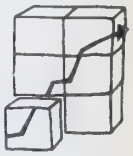
Here are several ways you can take advantage of our resources, our willing work-hands and our strategic location:

1 Tell us what product we can make that is natural for your markets. We call this our export-product diversification program. It is meant to make better use of our riches and develop products you can sell. Tell us what you want. How you would like your products crafted and packaged. Where your technology or marketing expertise can help. We are ready to learn, we are willing to work with you.

Together we can uncover a whole new world of opportunity.

2 Use the Philippines as your manufacturing base. You can go it alone or tie up with Filipino entrepreneurs. Either way, take advantage of our bonded-warehouse manufacturing system. It has done marvels for the garments and electronics industries. We let you bring in your raw materials, your machines and your money. No red tape, no taxes, no fuss.

3 Look to us for parts, components and subassemblies for your industry. We Filipinos take pride in doing little things well. Try us for size.



ExProm Philippines can put you in touch with Filipino subcontractors in metalwork, in plastics, in electronics and in woodwork.

4 Come in on our transshipment zones. You can use our transshipment zones as depots and staging areas for your products in transit to final market destinations in Southeast Asia. In them, you'll find facilities for secure storage, repacking, labeling and distribution of your products. Take advantage of Philippine geography.

5 Make Manila your regional headquarters in Southeast Asia. Our capital city's natural charms as a regional center have been enhanced by a special incentives package. The multinational setting up headquarters in the Philippines is exempt from all forms of local licenses, fees, dues and imposts.

Your executives will find Manila a gracious, elegant, efficient, friendly place to work and live in. Office and house rentals are way below other locations in Asia, and so are costs for their families' educational, social and leisure needs. (You'll not only love the many things money can buy. You'll love the costs even more.)

Communications are the most up to date. Convenient flights link the Philippines to capital cities in the Asia-Pacific region.

The multinational will find our middle-management resources of high caliber. The services of professionals like corporate lawyers, computer technicians, accountants, economists, engineers, architects are readily available. Filipino secretaries are uniformly efficient—and pretty. And they all speak your language. No need to bring your Berlitz.

You'll love *developing* a relationship with us.

ExProm Philippines

MINISTRY OF TRADE, REPUBLIC OF THE PHILIPPINES

Allied Bank Building, Ayala Avenue
Makati, Metro Manila
Telephones: 86-14-11, 86-18-11

Cable address: MINTRADE PM
Telex: RCA 22334 DPTPH, 22604 DPTPH
Globe MacKay 45467 MINTRADE PM,
45466 MINTRADE PM

PNB
The Bank on Wheels opens the door to business opportunities in the Philippines.

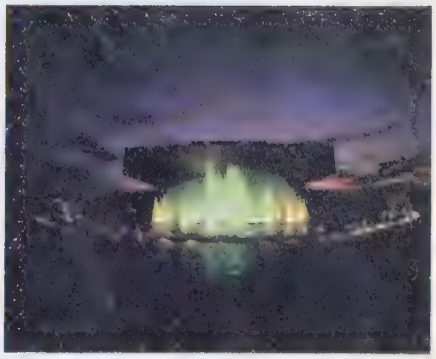
Tap the growth potential of one of the fastest developing countries in the ASEAN region. If you're in the market for productive Philippine ventures, contact the bank that knows the Philippines best. Philippine National Bank, the Philippines' largest commercial bank. It can put you in touch with investment opportunities through its network of 183 branches located strategically throughout the islands.

PNB's in-depth knowledge of the local economy is enhanced by direct access to its international network. PNB has representative offices in major financial centers and 469 correspondent banks worldwide.

PHILIPPINE NATIONAL BANK
The Bank on Wheels
Escolta, Manila, Philippines

PNB overseas offices and branches: 103 Cannon St., London ● Suite 639,5 World Trade Center, New York ● Suite 333, Russ Building, 235 Montgomery St., San Francisco ● 910-911 Melbourne Plaza Bldg. 33 Queen's Road, Central Hongkong ● Rm. 801-802 Bangkok Bank Bldg. 18 Cecil, Singapore ● 3rd Floor, Bishop Trust Bldg. 1000 Bishop Street, Honolulu ● Gaensemarkt 43 Corner Dammtorstrasse 2 Hamburg ● Rm. 728, Togin Bldg., 4-2 Marunouchi 1-Chome Chiyoda-Ku, Tokyo ● 2nd Floor, BDN Bldg., Djalan M.H. Thamrin, Djakarta ● Carlton Bldg., Vijzelstraat 218, Amsterdam

Skyline of Makati, Metro-Manila's financial district and Asia's Wall Street



The Cultural Center of the Philippines built in 1969 to showcase Philippine performing arts.

The government is now negotiating with prospective partners on the technical and engineering aspect of a $1.4 billion integrated steel project. Already, studies are being conducted to identify domestic sources of raw materials such as iron ore and coking coal. The integrated steel complex is expected to be operational by 1985

Detailed engineering studies on the $320 million phosphate fertilizer project began this June. Negotiations for the joint venture agreements and the supply of phosphate rock are now being finalized Start of the project is expected in 1983.

The government has also created a Commission for Heavy Engineering Industries to study the establishment of a heavy engineering complex that will contain, among others, a foundry to produce large castings, a huge forge and fabricating equipment. The project will cost $100 million. Negotiations with two West German companies have been initiated.

Through the United Coconut Planters Bank, the Philippines has entered into a joint venture with a German firm for the manufacture of coconut fatty alcohol as feedstock for biodegradable detergents. This project will enhance the value of coconut-based exports now reeling from the consequences of a slump in the international markets. This plant will be operational by next year.

The Philippine Alcohol Commission is currently pursuing an alcogas program that will have sugar as raw material. Under the program, the use of alcogas, which is 20 percent alcohol and 80 percent gasoline, will be popularized with the establishment of alcogas plants and filling stations in major areas of the country.

Industrialization, coupled with agricultural development efforts, will constitute the government's primary and principal concern for the rest of the decade

The government is also actively engaged in seeking partners from overseas to assist the country in laying the groundwork for a viable agri-industrial complex.

Export Promotion

The promotion of exports, particularly of non-traditional exports, will be undertaken in a more aggressive manner. The export sector has made substantial contributions to narrowing the spread of the country's balance-of-payments deficit

The Central Bank of the Philippines (CB) reported that based on negotiated exports during January to April this year, earnings reached $1.529 billion representing an increase of $431.5 million, or a hefty 39.3 percent over the same period in 1979. Should this trend continue, export earnings are expected to total $5 billion by the year's end.

The CB also reported that for the first quarter of 1980, the balance-of-payments deficit decreased to $15.4 million compared to a two-month deficit in February of $127 million; $205 million in the first three months of last year; and $570 million in the whole of 1979. The export sector has a sizeable share in this achievement

The government, through the Ministry of Trade, has embarked on the "Seven on Seven" export promotion scheme which will aggressively increase the country's export trade. This is a tightly-coordinated program of seven major export projects and seven support projects. These major projects are in the areas of export product diversification; bonded export manufacturing; sub-contracting; transshipment; regional multinational headquarters promotion; a project to promote international gift-giving involving Overseas Filipinos; and the expansion of the country's network of trade houses abroad The support projects shall cover such areas as trade information and the training of exporters.

The linchpin in the successful implementation of these projects is the adequate provision of incentives and a reliable infrastructure of facilities, including the opening up of 12 export processing zones in addition to those already existing in the provinces of Bataan and Baguio in Luzon and Mactan Island in the Visayas.

Worth noting is the extensive participation of foreign firms based in Europe, USA, and Asia in the pioneer export processing zones.

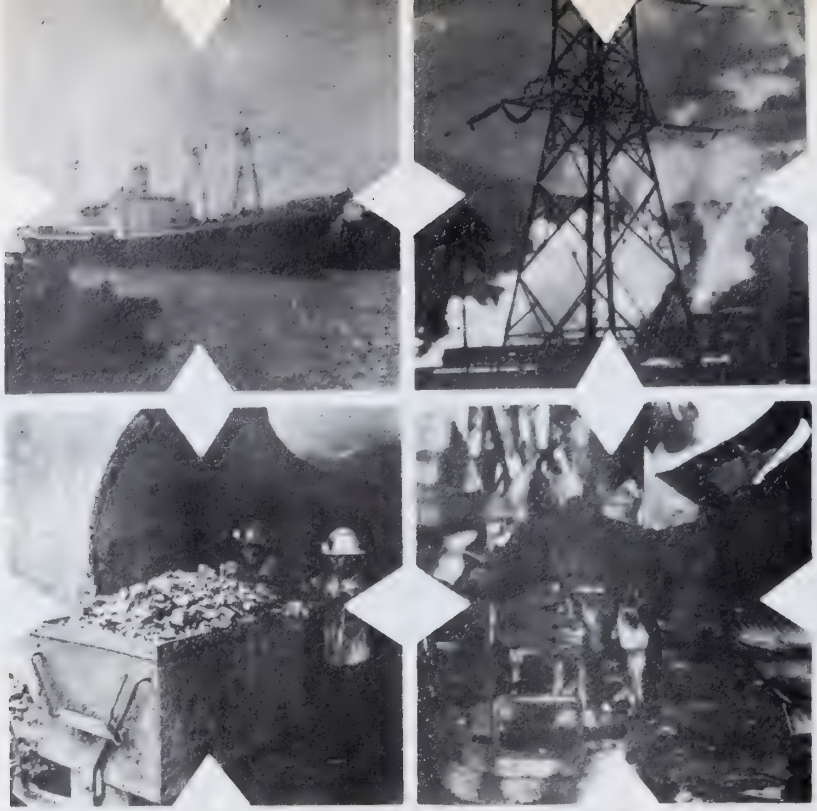
This is an excellent "barometer" of the optimism shown by the international business community with respect to the economic and political climate in the Philippines.

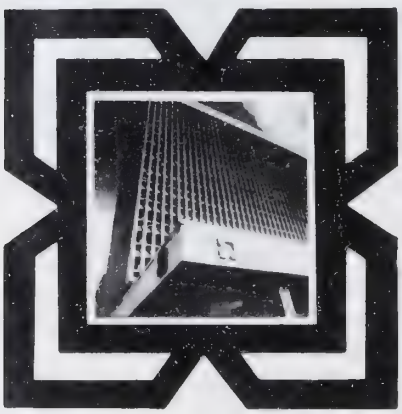
Also important is the fact that the National Industrial Development Corporation, the government's investment agency, recently entered into a joint project with a Japanese private firm—Kawasaki Industries, Ltd.—in setting up the country's biggest shipyard in Subic Bay, Zambales.

This is an unorthodox approach in generating the massive capital outlay vital to the country's long-term industrialization and export programs

It may appear that foreign investors are now having an open season in the Philippines; in reality, government economists are *discriminately* spreading the welcome mat to "quality investments" only—signifying that the Filipinos have not only put their house in order but also that they can choose their partners for economic ventures in the years ahead

The text for the special Philippines advertising section was prepared by Adrian E. Cristobal. Mr. Cristobal is both an author and journalist who is an expert on economic, cultural and political issues in The Philippines





DBP

YOUR CONNECTION IN THE PHILIPPINES

When you are investing in the Philippines there is one bank that can give you the right connections at the best possible terms - DEVELOPMENT BANK OF THE PHILIPPINES.

Our network covers the whole Philippine expanse - which is why we know the Philippines well. We help the farmer, the entrepreneur, the big businessman, and even big corporations. Each one, of course, benefits from us in his own particular way. Having diverse interests, our many clients need a common denominator. A common partner, in producing a healthy economy.

DEVELOPMENT BANK OF THE PHILIPPINES is the bank for such diverse interests. We do medium and long-term loans and investments financing. For agriculture. Industry. Construction. Government projects. Private development banking Investment banking

DBP reaches out with all its resources to support you in your investments and business ventures.

DEVELOPMENT BANK OF THE PHILIPPINES

Head Office: Makati, Metro Manila, Philippines
P.O. Box 800, Makati Commercial Center 3117
Telephone: 818-9511 Telex: RCA 22197 DBP PH
Globe Mackay 45128 DBPHIL PM
EASTERN 63771 PN Cable: PHILDEBANK Manila

n a sagging steel industry, Allegheny Ludlum tands out for its continuing profitability. The ey: Bob Buckley's skillful diversification.

Operation steelstrap

By Maurice Barnfather

LLEGHENY LUDLUM Chairman Robert J. uckley raised eyebrows on Wall Street n July 29 when he announced that the 1.5 billion (sales) specialty steel com- any was offering $73 million—50% bove recent market price—for the re- aining 55.6% of Britain's Wilkinson latch. After all, Allegheny already had ffective control of the $636 million ales) producer of razor blades, matches, ens and garden tools with the 44.4% nterest Buckley had picked up in early 978. So why bother going for the rest? Vilkinson's earnings hadn't been setting he world afire—they were off 26% last ear. Certainly Allegheny had plenty of ther uses for the money. Bob Buckley uns one of the most highly leveraged rms in the industry, with $343 million n long-term debt on $237 million in ommon equity. And why buy now hen the dollar's weakness makes over- eas buying doubly expensive?

"We've always wanted to own all of Vilkinson," answers Buckley. Why ow? "Unexpected circumstances," re- lies Buckley, a jovial man with a with- ring gaze. "We didn't realize in March hat we would be as liquid as we are. The reak in the debt market [lower interest ates] interested us, and forced us to con- der not only the Wilkinson situation ut all of the unfinished business that we ave in our forward plan." Add sharply igher earnings per share at the half (up 3% from last year) plus a dramatic ownturn in steel-order backlogs, and uckley found himself with a temporary otful of cash—some $30 million above orking capital requirements—just hen interest rates were falling sharply.

It was an opportunity to carry further he diversification program that had tak- n Allegheny from $25.4 million in net ncome to $65.1 million in only two ears. Bronx-born Bob Buckley is not a areer steel man. His nonsteel back- round includes General Electric and Ingersoll Milling Machine. He came to Allegheny in 1971, became chief executive in 1975 and chairman two years later. His brief: push diversification at Allegheny, begun somewhat cautiously under predecessor Ed Hanley in 1964.

In his five years at the top, Buckley has developed an acquire-and-divest style that so far has served Allegheny well. He will, no doubt, repeat it with Wilkinson if he gets to own 100%.

Just look what he did with $412 million (1977 sales) Chemetron after Allegheny won a costly bidding contest with Tom Evans' Crane Co. in April 1977. He sold off some of the less promising parts of Chemetron in order to pay for the best parts. Chemetron's organic pigments business went for $40 million to West Germany's BASF. Then Buckley sold Chemetron's chemical products division for $27 million to PPG Industries. Finally, he swapped Chemetron's $80 million (sales) industrial gases business for a one-third interest in Liquid Air of North America (a subsidiary of France's L'Air Liquide), then worth some $102 million.

When he was finished, Allegheny's net investment in Chemetron was cut from the $208 million purchase price to $141 million, and an $80 million industrial gases business had been traded for one-third of a group currently with sales of $500 million annually. And Buckley still had the best parts of Chemetron—specialty tubing for, amongst others, the oil industry; welding rods; a carbon dioxide business; fire systems; process equipment; and medical products—with 1979 sales of $350 million.

The likely scenario at Wilkinson:

- Sell off Wilkinson's franchise for Foster Grant sunglasses, a heavy loser.
- Sell off Wilkinson's U.S. razor business, which accounts for about a quarter of Wilkinson razor sales but only a 7% market share here and has been running up heavy losses under pressure from disposable razors.
- Sell off Wilkinson's Scripto writing-instruments business, which lost $2 million in 1979 despite the efforts of a management team hired away from Gillette's Paper Mate division. It has only just become profitable.
- Merge recently acquired $78 million (sales) Schenuit, a producer of lawn and garden equipment, with Wilkinson's True Temper garden equipment division.
- Expand Wilkinson's safety and protection-device business. It makes all manner of fire-safety systems, and in five years profits have gone from $1.2 million to $12.8 million.

All Buckley will say on the matter is, "If we succeed in taking the whole company, you can bet your life, we'll do what's right."

Allegheny Ludlum Chairman Robert J. Buckley
Selling off the bad to pay for the good.

Allegheny has been doing just that at home. Its second-quarter net was up 6% at $24.8 million and for the first six months of 1980 ahead 13%, to $40 million. Compare that with National, with net income down 92.7% in this year's second quarter, or Republic, down 65.4% in the first half.

What's the difference between Allegheny and the rest? Three years ago its steel business accounted for 65% of revenues. Now it's 25%, with other businesses from jet aircraft products to computer equipment still growing. Their countercyclical impact on Allegheny's profits is both reason and justification for swallowing up Wilkinson. ■

There's nothing surprising about Dave Williams' views. His performance in equities, however, is something else again.

Dave Williams—noncontrarian

The Money Men

WITH THE Dow edging back toward its old highs, it is finally becoming obvious even to the most stubborn holdouts that Wall Street has been in a bull market for some time now; what the Dow is finally flashing, the broader indices have been telling us for a long time. Certainly Dave Harrell Williams has known it for some years. This 47-year-old transplanted Texan bears the heavy responsibility of running an $8 billion pool of money, most of it pension fund money, for Alliance Capital Management Corp., a subsidiary of Donaldson, Lufkin & Jenrette. In the two and a half years he has been managing Alliance Capital, its equity accounts have shown a gain of 62.1%, nearly 2 times better than the S&P's 400 average, which put him among the top 3% of U.S. equity managers last year.

Now, lots of people beat the averages over relatively short periods but mostly they are running small pools of money, a few hundred million at tops. Williams has done it in an equity account of $3 billion. So, we dropped around the other day to see what Williams is betting on now. It didn't take us long to find out: He's betting on the "reindustrialization of America" *(see p. 120)*. He's light on traditionally defensive consumer stocks and utilities. He's top heavy on capital goods stocks, with a strong tilt toward energy, technology and defense.

In defense, it's stocks like Boeing, McDonnell Douglas, Lockheed, General Dynamics and Litton. Almost all have shot up by a third or more since Alliance bought the bulk of them in mid-1979.

Alliance Capital's Dave Williams
Betting on reindustrialization.

The tragedy in Iran, bolstering the belief that greater U.S. defense spending is needed, only increases his enthusiasm for the industry.

Williams is running with the herd in his enthusiasm for the energy service sector. "This area is going to benefit from capital spending driven by higher energy prices," he says. Here, he's picking up stocks like Signal Cos., Pullman, Combustion Engineering, General Signal, Dresser Industries, J. Ray McDermott and Petrolane. He's convinced they've still a long way to go.

Signal, one of his five largest holdings, should benefit as well from increased capital- and defense-spending, Williams believes. He's betting on Signal's UOP Inc. for its petroleum industry services and on its Garrett Corp. for its military aircraft system components. He's certainly been right so far. Williams bought into Signal last year at around 20. It is now at about 40, with a P/E of 8 and he plans to pick up more.

Pullman? "We're not in it for the subway cars," he says, but news of the company's sale of defective subway cars to New York City did provide a good buying opportunity. Williams is interested in the $1.7 billion Pullman Kellogg division—53% of the whole $3.2 billion sales—which builds oil refineries and has moved into synthetic fuels service, too.

In high technology, Williams is betting on stocks like Honeywell, Sanders Associates, Digital Equipment, Motorola, IBM, Scientific-Atlanta, Northern Telecom and Intel. He thinks Sanders will become a high-growth company through sales of electronic components for defense and computer graphics displays. Sanders was at 33 when he started buying late last year at 10 times estimated earnings. It has since hit 45½.

Most of his other technology stocks have been fickle performers lately. He bought Motorola, for example, at about 49 last year. It shot up to 64 but has since dropped back to a recent 53. Williams admits the stock's weak spell caught him by surprise. Still, he's hanging on to Motorola for its semiconductor and microcomputer operations. He believes it will be one of the largest suppliers of automobile electronic controls, which enhance fuel efficiency.

Like much of Wall Street, Williams likes natural resource stocks—oil and gas, forest products and metals—because he feels they offer the best hedge against inflation. "There is a school of thought today that says the recession is going to be long-lasting," he says. "But we think inflation will remain high, close to 10%. There are supply constraints, beginning with OPEC oil and including a lot of other raw materials. We think defense spending will be rising in this country, and that is inflationary—people getting paid for making

The Gas Option

Gas: Additions to reserves hit 12-year high.

1979 additions to proved gas reserves from the "lower 48" states were the highest since 1967—a promising first-year response to the pricing incentives of the Natural Gas Policy Act.

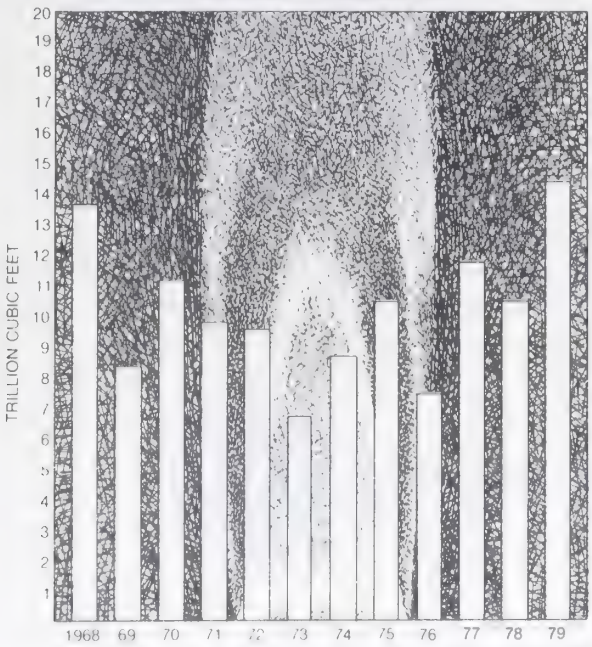
Total reserve additions amounted to almost 14.3 trillion cubic feet (Tcf), a 35 percent increase over 1978. And this increase was widely distributed throughout the country. In the future, even more dramatic additions are expected from new areas of high potential—like the Overthrust Belt, where some experts believe that 100 Tcf of natural gas may exist.

Reserves of conventional supplies are only part of the nation's total supply of natural gas resources. And while production from conventional sources may gradually decline over the next 20 years, *total* production is expected to increase. Supplemental sources like gas from Alaska, from coal and biomass—even from municipal solid wastes—can make up the difference. This will mean enough supplies to last far into the future.

All sources of energy will play an important role in meeting America's future energy needs. And the gas industry has consistently recognized that each should make its biggest contribution in the job it does best. Oil supplies are essential for our transportation requirements. Electricity is needed for our lights, motors and industrial automation. Gas serves over 55% of the homes in America—and provides nearly 40% of the energy for industry and agriculture. And coal can and must be used to a far greater extent.

As we move to develop these sources, the advantages of gas become increasingly significant. The facts are clear. What we need today and tomorrow—clean, efficient, economical energy—the gas system delivers. The Gas Option is one we cannot afford to ignore.*

NEW ADDITIONS TO GAS RESERVES FROM LOWER 48 STATES



Source: A.G.A. "Reserves of Crude Oil, Natural Gas Liquids, and Natural Gas in the United States and Canada as of December 31, 1979," Volume 34, 1980

Gas: The future belongs to the efficient.

*For more information, write to American Gas Association, Dept. 23-DD, 1515 Wilson Blvd., Arlington, Va. 22209. © 1980

It's no accident that America's trucks set the standards for safety

The latest National Safety Council figures show that the accident rate for tractor semi-trailer trucks was approximately half the rate for passenger cars.

This record is the result of the trucking industry's continuing emphasis on safety.

Truck drivers not only have to meet stringent physical requirements, they must take a complete physical exam every two years. Drivers must also demonstrate their knowledge of safety regulations and pass a rigorous road test before they get behind the wheel. Trucking companies and their drivers participate in on-going safety programs sponsored by the American Trucking Associations, Inc.

Trucks are designed, built and maintained to meet strict government regulations and industry safety standards.

Armstrong, maker of a full line of truck tires is proud to contribute to the trucking industry's outstanding safety record.

We salute a great safety team: America's trucks and America's truck drivers.

ARMSTRONG TIRES

MEMBER ATA FOUNDATION INC AMERICAN TRUCKING INDUSTRY

YOU have the power to end HD

HD NATIONAL HUNTINGTON'S DISEASE ASSOCIATION
Suite 501, 1441 Broadway, New York, N.Y. 10018
212-966-4320

THIS SPACE CONTRIBUTED BY THE PUBLISHER 79-9

goods that serve no needs of consumers

Williams goes along with the theo that the country is moving back to th center politically. "It is already happe ing," he says, jabbing his finger to unde score each example: "The first tangib sign was Proposition 13. The next was number of states voting to limit the si of the federal deficit. Then they cut th capital gains tax, right in half. Gover ment leaders are moving toward dere ulation of [energy] prices. There's a l more of the tendency to let marke solve their own problems." As ener prices rise, for example, he thinks cor panies will increasingly invest in conse vation technology to counter them. Alliance has 35% to 40% of its client equity investment in energy services ar oil and gas—an above-average exposu to that industry.

Williams has made his mistakes, course. Alliance's recent performance fixed income has been no better tha everyone else's. Although the firm h

"There is a school today tha says the recession will be long But we think inflation will re main close to 10%. There ar supply constraints on oil and lot of other raw materials."

direct control of only $1 billion of the $ billion in its bond portfolios, William concedes, "We got clobbered" in th bond market's Little Big Horn earli this year. He has since made up tho losses, but "our fixed-income portfoli in March and early April declined near as much as the market as a whole, abo 15%. We underestimated the extent which inflationary psychology wou grip it. The bond market at its depth wa discounting an inflation rate that wa greater than the reality, and we failed anticipate that." The lesson learne "Bonds require very active managemen now." No more just buying and sitting

One thing Williams isn't particular worried about is Nov. 4. "The candidate are all running on the same platform," H says, a bit disdainfully.

Not a word of surprise in what Wi liams says. The country is getting a b more conservative. The Feds will sta favoring investment a bit more over co sumption. Inflation will remain relativ ly high. Rearmament is in the cards. A this points to capital goods stocks with strong emphasis on technology and ene gy. A perfectly conventional stance, th consensus, even. But the investment in plications are clear: As the bull mark gathers momentum, you don't necessa ily have to look for shifting leadershi the action's going to continue precisel as it has for the past couple of year Tune in again next year.—*Alyssa A. Lappen*

onald Sadoff doesn't own a single stock, in art because he expects the summer rally to ade away. After that, though. . . .

Ronald Sadoff— not yet, not yet

The Money Men

RONALD SADOFF IS SKEPTICAL. He expects a big bull market early in this decade, but he doesn't think is is it. Living in Milwaukee and man-ing some $20 million out of an office in s home, the 40-year-old Sadoff isn't in e same league as Dave Williams when comes to the bucks, but he has quite a putation, nonetheless. In fact, he's al-ost a cult figure. Sadoff correctly called e 1969-70 crash, got back in for the bsequent giant rally and pulled out in 73 when the Dow Industrials hit their time high. Again, in 1976 when the ow exceeded 1000 and bulls were ev-ywhere, he correctly forecast another op. He's been totally out of the market nce 1978, and right now his accounts n't own a penny's worth of common ocks. They are entirely in high-quality ort-term commercial paper.

Sadoff told FORBES why:

"I'm not a trader. I'm just concerned out the major environment. I'll play hen it's favorable and I won't play hen it's not. If I can just make a couple correct decisions every few years, I'll ake great sums of money.

"Why do you need to play every day?" Sadoff, who studied law and finance in s home state of Wisconsin, is a student the Kondratieff wave—named for the viet economist who perished in a Sta-ist labor camp in the 1930s for daring say that the business cycle was univer- and not simply a capitalist weakness. ndratieff wavers try to identify the big cles that affect man's fate. Applying s to shorter ripples, Sadoff tries to ft an investment policy out of his erpretation of the Great Man's theor-. Fortunately, you needn't be a Kon-tieff waver to understand what Sadoff doing. Sadoff has put together a pack-e of three separate approaches, which, hen combined, he hopes, will tell him here we stand in the cycle. The first of his trio of buying requirements, monetary policy, turned bullish in May. Sadoff uses a simple ratio of long-term interest rates on AA bonds divided by short-term rates. In normal times long-term money should always have a higher interest rate, because the risk is greater. Until June, long-term rates were below short-term. This meant the Federal Reserve was trying to squeeze out the inflation, which historically has meant a depressed economy and a poor stock market. (He notes that, late in 1928, the inverted yield curve was one of the few warning signs before the Great Crash.)

Ronald Sadoff
A couple of right moves are enough.

Now the yield curve is normal again—short rates are below long rates. This has to be bullish.

Sadoff's second criterion is technical analysis, read in two different ways. When monetary policy is bearish, he looks at technical analysis with suspicion. When monetary policy is favorable, like now, he looks at the same figures in a more favorable light. There are two technical indicators that interest Sadoff. One is the new lows list. Sadoff likes to see a fat list—as there was on Mar. 27 this year, when over 700 New York Stock Exchange names appeared on the list in a single day. A second technical indicator Sadoff favors is negative right now: the advance/decline ratios. This currently shows that the averages are rising faster than the market as a whole, which suggests an underlying weakness.

Sadoff's third major factor is still bearish. He calls this his psychological factor. He measures it primarily by comparing short-selling by the specialists and member firms for their own accounts against short-selling by the general public. Whenever member firm short-selling decreases and public short-selling increases so that the ratio is down to 2, he figures a bear market bottom has occurred. It's not happening now. Members are shorting heavily and the public very little, so the ratio is about 6.

Measuring cycles psychologically, Sadoff doesn't care if earnings are falling; that doesn't bother him. What does bother him is if the declines are unexpected. What he likes to see is a market where earnings, no matter how terrible, aren't as bad as most people expect. Sadoff: "You're not asking your companies to come in with better earnings than last year. You just want them to be better than the analysts are estimating."

So, there it is: Of three basic indicators, one-and-one-half are bullish. That's not enough to tempt Sadoff back into the market, which he thinks will fall soon. The time is coming, though. Sometime next year, he hopes that all three indicators will be flashing "go." Then he'll go in. What will he buy?

Sadoff isn't a stock-picker. He prefers to pick industries. True to his principles he wants those industries where earnings are beginning to behave better than people expected. He says he'll buy the public utilities and retailing firms; they've been in a long-term downtrend which, according to his Kondratieff interpretation, must contain the seeds of its own recovery. The brokerage stocks can't lose: A bull market means big volume and big profits. What else? Depends on which industries are performing better than expected at that time.

Is Sadoff getting nervous, sitting there with all that cash when the market is moving as it has been this summer? No, he says, he's not interested in catching the 100-point and 150-point swings in the Dow that have occurred since. "I am waiting for what I believe will be a multiyear uptrend. I am looking for 3 to 5 times on my clients' funds." Nice work if you can do it.—*Robert J. Flaherty*

With little fanfare and with relatively little money, CARE has turned into one of the world's most effective aid programs.

Who CAREs?

CARE Executive Director Philip Johnston
"Feed the kid? First you've got to deworm him."

By Harold Seneker

PHILIP JOHNSTON, 47, is executive dire tor of CARE, Inc., the outfit that used deliver CARE packages to Europe aft World War II and then to Third Wor countries. Not a single CARE packa has gone out since 1967: "They're obs lete," says Johnston. Instead, CARE lo ago shifted its emphasis to a very diffe ent concept.

Take, for example, the village of Bh girathi, 40 miles down the coast of Ind from Calcutta. In 1974 it had 600 far ilies of starving untouchables. The no mal charitable reflex, of course, is to ser food. But someone had noticed a near river with a worthless 300-acre del never farmed because of salt tides fro the Bay of Bengal. CARE got an enginee did a feasibility study, then hired th untouchables at the prevailing wage, *u ing the food for pay*. Under CARE admi istration, they baked brick in homema kilns, built a seawall to keep out the tid dug irrigation canals to channel the fres river water, stocked the canals with fis for protein and planted the seawall en bankment with fruit trees. Then the divvied up the land. As a result, beggin crime, infant mortality and the inc dence of numerous diseases decrease and a couple of thousand children g used to at least one meal a day. CARE p in at most $250,000. Johnston wan more money to do more for the Bhag rathis of the world.

CARE got its start in 1946, as Coope ative for American Remittances to E rope, a joint effort of a number of reli agencies only guaranteeing delivery food packages. But soon it added carpe ters' and farmers' tools and sewing kit to help people get back to work. The when Europe got on its feet, came question: disband, or shift the CAR package business to Third World cou tries? The decision was to shift to ma feeding programs for children and pre nant mothers through schools and m ternity clinics—more far-reaching tha individual packages.

"Then, in the mid-1950s," recalls Fre Devine, a senior deputy director wh was there from the start, "a number our country directors began writing headquarters with the same kind of ide 'We need to help these people do f themselves,' they said. Just handing o food was merely putting people on a pe manent dole. It was a bad system, exce for emergency relief in disasters."

What was needed more than food w development, and the development mo valuable in the starving hinterlands w not necessarily the prestige-project d velopment pushed by the Mercedes-dri ing, Marxism-spouting elites in the n tional capitals. It was often small-scal simple stuff that the people involve could do themselves, given the chance.

The use of U.S. government-reserve od, donated under Public Law 480, to ıy local unskilled labor was tried on a lf-help school construction project in onduras in 1962. It worked. The village ovided the patch of land and labor. The onduran government checked the ans and promised a teacher after the hool was built. CARE provided the ilding materials and overall manage-ent. "We ended up building hundreds classrooms all over Honduras and Lat- America," says Devine.

CARE had discovered the principle of verage. With donated U.S. govern-ent-reserve food, host-country match-g contributions and local labor, CARE und it could get $10 of mileage out of ch private donor's $1.

The applications have proved infinite-various. It can be as simple as teaching onze Age tribesmen to keep bees, giv-g them a product to sell in the cash onomy for the first time. Or introduc-g a new type of pigsty in the Philip-nes that, in a decade, changed pork m a scarce luxury to a relative com-onplace in the local diet. Or it could be complex as building a light-plastics tory in Bangladesh using jute as a raw aterial. Numerous other agencies, in-ding the U.S. government aid pro-ms, are copying CARE's approach.

Lately, CARE has advanced another p: setting up a revolving fund. In land-ked Lesotho (surrounded by South Af-a), where little prospers besides Ango-goats, the tribeswomen tending them re selling the raw mohair for a pit-nce. CARE is setting up a series of operatives of 20 women each, using nple spinning wheels made from old cycle wheels to spin mohair yarn. By us integrating forward the women multiply their cash return. CARE has also lined up overseas buyers to cut out expensive middlemen. The women commit themselves to paying back the cost of being set up in business into a fund that is re-spent setting up further co-operatives. Ultimately they will form a governing supercooperative to build a yarn-dyeing factory.

"The idea is to set up something the local people or government can continue after we've gone," explains Johnston. "And we always choose programs where we can act as a catalyst for permanent change. That way, we get the most return for our donor's dollar."

By now, it's reduced to a system. CARE program directors in the field conduct their own study of a potential host country to find out directly from the grass roots what is most acutely needed and most valuable. The directors then put together a three- to five-year program. CARE only goes into a country that specifically invites it in—37 worldwide at the moment, with more waiting in line—and signs an explicit contract with the host government describing exactly what is to be done and what contributions all sides will make. The signed agreement usually cuts off high-level corruption from the start and if it fails to, CARE will pull out of the country. (Haiti's Papa Doc Duvalier *et fils* have always left CARE strictly unextorted because CARE did leave when the predecessor regime tried some hanky-panky.) Every contract grants a tax-exempt status that lets CARE escape most openings for petty corruption at lower levels. "Where it doesn't," observes one of CARE's program directors, "we can pay a visit to the finance minister or whoever signed the contract, and that clears it up."

Much of what CARE does revolves around food and agriculture, partly because of its own origins, partly because of food's fundamental importance and consequent leveraging effect: Populations unable to feed themselves have little strength to become productive in other ways. And partly because it is so widespread and yet so hopeful a field: "Hundreds of millions of people are chronically undernourished," says Devine, "yet almost every country where there's endemic malnutrition is potentially able to feed itself, except perhaps in the African Sahel and certain areas with particularly thin tropical soils. Even India with all its people could be self-sufficient. It could potentially grow more than the United States does."

About 60% of CARE's annual $200 million-plus volume still goes into the mass-feeding programs moving government-reserve commodities to some 25 million children and pregnant women.

Yet even that ineluctably leads back into the other 40% of CARE's volume, self-help development, which is ever-increasingly the heart of what the organization does. "It's not enough to feed the kid," observes Johnston. "First you have to deworm him, so you also need a medical program. Otherwise you're just feeding his parasites and not the kid. And then you've got to dig wells so there's clean water instead of dirty river water to drink and he doesn't have to pick up new parasites or maybe die of the endemic intestinal diseases."

From there, it's a short step to building the classrooms for the traveling nurses to visit, and to dig the well near, and to stage the feeding program in. And then another short step to improving local food or cash crops.

rking in flood-controlled rice paddy in Kerala (left) *and spinning mohair yarn in Lesotho*
day's "CARE package"—developmental aid—gets people off the permanent dole by helping them do for themselves.

NAR: Confidence Based On Success

North American Royalties—a company facing the future with confidence.

Confidence in the natural wealth of oil and gas deep within our own continent.

And in NAR's ability to explore, discover and develop these resources, through our Oil and Gas Division.

Confidence in the long-range strength of the American industrial economy.

And in NAR's ability to produce and sell products basic to that economy, through our Wheland Foundry Division.

Confidence based on an achievement of success in two important industries. Success reflected in the company's growth.

North American Royalties. Now in our 114th year, and looking to the future with confidence.

NAR

For information and an annual report, write Corporate Communications

North American Royalties, Inc.
Chattanooga, Tennessee 37402
Listed on the American Stock Exchange and the Pacific Coast Stock Exchange (Symbol: NAR)

Johnston's big problem right now is a universal one: inflation. While donations to charities in general have risen steadily throughout the 1970s, post-Vietnam donations to overseas relief have been flat at about $2.5 billion, while costs have risen 35% over this period. The federal government presently funds 75% of CARE's $200 million annual budget mostly by providing the food and paying shipping charges, but the prospects for more government money aren't good, thus Johnston is appealing to corporations to step up their contributions in cash and in kind. Only in 1979 and this year did overall donations finally take a jump, in response to an almost unprecedented spate of disasters, both natural and man-made—the Vietnamese boat people, the Cambodian refugees, the Afghan refugees, the Nicaraguan and Ugandan

"The idea is to set up something the local people or government can continue after we've gone," explains Johnston. "And we always choose programs where we can act as a catalyst for permanent change. That way we get the most return for our donor's dollar."

dan revolutions, the hurricane in the Dominican Republic and Haiti, the tidal wave in India. And now, a widespread drought in East Africa still in its infancy as a disaster, when not enough people have yet died to make the newspapers.

"We have to respond," says Johnston, "but of course it cuts into our regular programs."

Before taking over as executive director at CARE headquarters in a onetime brewery a few blocks south of the U.N. in New York (the rent is a Thirties-sounding $3 a square foot), Johnston set up little CARE, Inc.'s all over Europe, to broaden the donor base by drawing on the goodwill of people who remember the CARE packages that kept them alive 30 years ago and now like the idea of paying back. And his board chairman, Ed Wesely, a partner in the Wall Street law firm of Winthrop, Stimson, Putnam & Roberts, is looking at starting up an endowment fund for a previously untapped type of American donor.

Meanwhile, Johnston has set out on the rubber-chicken circuit and is safaring into the anterooms of foundations and corporate philanthropists. He talks the usual do-good line, of course, of moral values and brother's keeper and saving lives, and it's all true, but he doesn't stop with that. "It's to our political and economic interest that the Third World be as stable, as healthy and advancing as fast as it can be, and we ought to be investing more in it," he argues. ■

This advertisement is neither an offer to sell nor a solicitation of offers to buy any of these securities. The offering is made only by the Prospectus.

NEW ISSUE

July 24, 1980

$200,000,000

J.C. Penney Company, Inc.

12% Sinking Fund Debentures Due 2010

Price 100%

plus accrued interest from July 15, 1980

Copies of the Prospectus may be obtained from any of the several underwriters, including the undersigned, only in States in which such underwriters are qualified to act as dealers in securities and in which the Prospectus may legally be distributed.

The First Boston Corporation

Goldman, Sachs & Co.

Merrill Lynch White Weld Capital Markets Group
Merrill Lynch, Pierce, Fenner & Smith Incorporated

Salomon Brothers

Bache Halsey Stuart Shields Incorporated

Bear, Stearns & Co.

Blyth Eastman Paine Webber Incorporated

Dillon, Read & Co. Inc.

Donaldson, Lufkin & Jenrette Securities Corporation

Drexel Burnham Lambert Incorporated

E.F. Hutton & Company Inc.

Kidder, Peabody & Co. Incorporated

Lazard Freres & Co.

Lehman Brothers Kuhn Loeb Incorporated

L. F. Rothschild, Unterberg, Towbin

Shearson Loeb Rhoades Inc.

Smith Barney, Harris Upham & Co. Incorporated

Warburg Paribas Becker A.G. Becker

Wertheim & Co., Inc.

Dean Witter Reynolds Inc.

Imagine a jet engine that cuts one hour off the L.A. to New York run.

We did. Then we cut up to 40% off the fuel bill.

e Garrett engineer looked from his calculator and said: ntlemen, set your watches ck one hour. We knew what l happened. The TFE731 rbofan had been born, an gine up to 40% more effi- nt than any in its class. king possible a whole new neration of business jets able of non-stop transconti- ntal flight. A precious ur in descent, re-fueling and e-off had been saved.

Everyone was excited, not surprised. Once again, 'd simply lived up to our utation as a leader in energy cient engines and systems. The Garrett Corporation, vas business as usual.

We earned our wings in ospace, then built ourselves an industrial giant by eping our feet on the ground l our hands on a technology e brimming with possibil- s. What makes us unique is w we apply that technology.

It's called good old-fashioned teamwork. Our engineers never work alone on some remote piece of the puzzle. From beginning to end, they work together. Feeling responsible for the entire project, they develop a talent for innovation that is second to none. The result has been some of the most timely, efficient, and practical solutions to today's problems.

It's a working structure based on a corporate philosophy: Imagination is mankind's most valuable resource. It's a resource we've learned to maximize, and others have learned to tap.

Like the Department of Energy. They've asked us to develop a lightweight flywheel-electric car that's capable of weaving through up to 100 miles of city traffic between recharges. It's the kind of challenge we love.

For the nuclear power industry, we've created a hermetically-sealed, zero stem leakage valve that is destined to help make nuclear power generation even safer.

Garrett is also making nuclear power more cost-effective with an uranium enrichment centrifuge that uses only 5% of the electrical energy required for enrichment by the conventional gaseous diffusion process.

You'll also find us in everything from office buildings to petroleum fields, primary metal industries to trucking. Everywhere doing much the same thing – making engines and systems work harder. We'd like to do that for you.

If you're wondering how to make your enterprise do more with less, we suggest you get in touch with the people who are doing just that. For more information, write our President, Jack Teske at The Garrett Corporation, Dept. 1, P.O. Box 92248, Los Angeles, CA 90009. If you're flying out from New York, we'd be glad to spend that extra hour with you.

GARRETT The Garrett Corporation
One of The Signal Companies

Garrett

The aerospace company with its feet on the ground.

Faces Behind The Figures

Edited by Jefferson Grigsby

Welcome to the free market

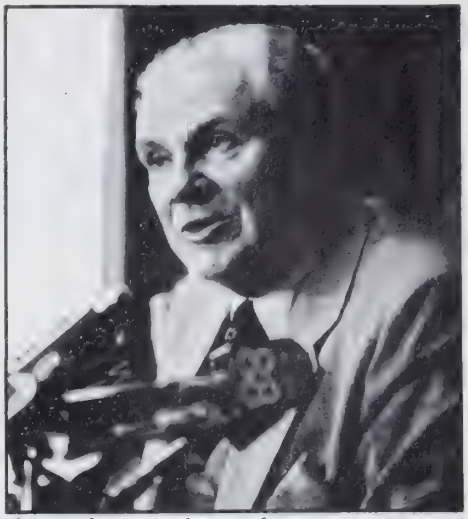
Economist Milton Friedman's free-market doctrines have brought him a Nobel prize and a comfortable life. But since he was appointed a senior research fellow at Stanford University's Hoover Institution, Friedman no longer has much use for his Ely, Vt. home and has put it on the market. Trouble is, takers are scarce in the hard-hit Vermont housing market.

No slouch in marketing, the intellectual leader of the monetarist school of economics hired the prestigious real estate firm of Previews Inc., which has been advertising abroad in hopes of attracting potential buyers among wealthy Europeans—or Arabs. The asking price: $350,000. Still no luck, even with an additional bonus: An Ely neighbor would be Arthur F. Burns, former chairman of the Federal Reserve Board and another economist currently in touch with real economics as chairman of the Committee to Fight Inflation.

Why not follow free-market theory and reduce the price? Says Friedman: "The alternative is to hold your price and wait for the market to come to you. The three depressants of Vermont housing are fuel costs and scarcity, recession and high interest rates. All three are temporary. They will soon end." He hopes.—*Ben Weberman*

Economist Milton Friedman
Open house in Ely.

One man's turkey....



Shinn of Metropolitan Life
Swallowing a big canary.

When hard-pressed Pan American World Airways sold its New York headquarters building late last month for $400 million—the largest single-building real estate deal ever—its low rent became the first casualty. That's one reason the new landlord, Metropolitan Life Insurance Co. CEO Richard R. Shinn, was looking more like the cat that ate the canary than a man who'd just bought a turkey.

Since the building was completed in 1963, it has been only marginally profitable for Pan Am (which originally owned 10% and increased its ownership to 100% in 1978). Reason: Many of the original long-term leases were weighted in favor of the tenants, and had caps that did not allow pass-along rent increases for skyrocketing utility and other costs.

Pan Am's own lease was a good example. The airline occupies 350,000 of the building's 2.5 million square feet, for which it paid itself an average rent of $7.70 a square foot. Its new lease with Metropolitan will cost Pan Am at least $21.53 a square foot. Shinn figures to realize similar increases on other commercial leases, most of which will expire in 1983. "For a patient investor, there will be an enormous appreciation value," he says. Vacancy has been minimal since 1970 and the skyscraper, which rises behind historic Grand Central Terminal, is in the middle of a construction-boom area that Shinn hopes will make it even more desirable.—*Carol E. Curtis*

An offer he couldn't refuse

Chairman Kiyoshi Yotsumoto of Kawasaki Heavy Industries, Ltd. is known—respectfully—in Japan as "the Godfather." In 1965 the Godfather sent Yoji Hamawaki, then an untried 35-year-old junior executive, to the U.S. with a one-way airline ticket and a mandate to build a successful motorcycle business. Kaw saki had almost totally failed in motorc cles in Japan, and Honda was firm astride the market in the U.S.

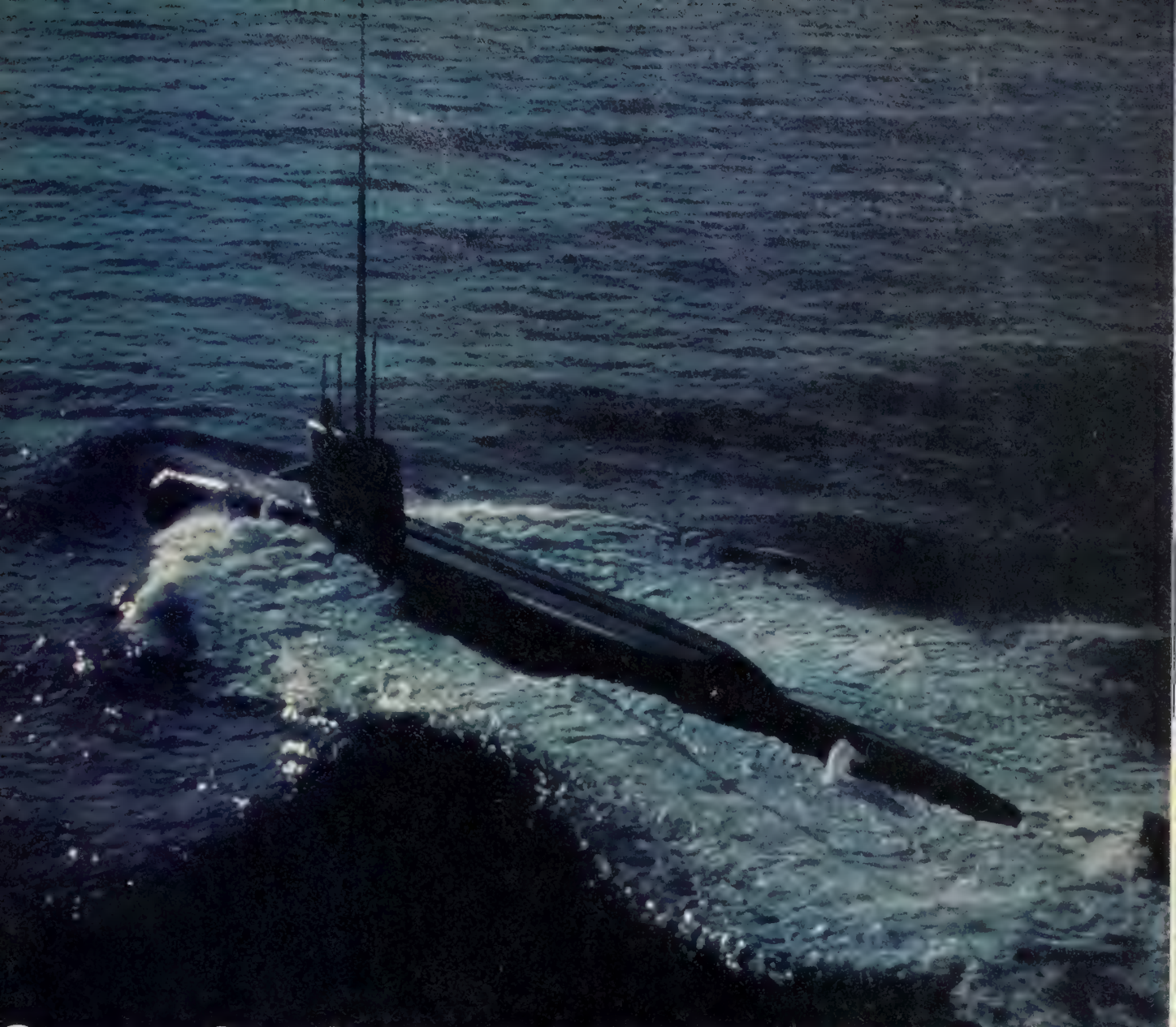
Hamawaki convened "a bunch crazy American kids" from the Midwe to find out what Honda wasn't maki that Americans wanted and set out give it to them, in the end partly asse bling as well as marketing in the U The result: a third-place ranking a 15% share in the U.S. market and annu sales of over $300 million. As Kawasak fortunes rose in America, so d Hamawaki's. In 1978 he was summon home to Japan to help handle some of t parent's sticky problems. At $2.7 billi in sales, Kawasaki is one of Japan's la est industrial conglomerates, but i earnings have been drained for years disasters in shipbuilding. Earnings la year were only $14 million—$12 milli coming from motorcycles.

Now the Godfather has se Hamawaki back to America again build new businesses. His first target subway cars, a tough, rough market. Co ruption, malfunctions and cost overru have forced even companies like GE a Pullman out of the business. Hamawaki, that looks like an opportu

Hamawaki of Kawasaki Heavy Industries
Encore, says the Godfather.

ty. Japan is much more rail-oriented tha the U.S., he points out, and Kawasa has already built well over 500 of Japan "bullet-train" coaches.

Hamawaki has already landed a bi order, a $120 million contract with th City of Philadelphia and the Southea Pennsylvania Transit Authority, accor ing to which half of the manufacture parts and all of the assembly must b done in the U.S.—*Robert J. Flaherty*



Our technology goes below the surface

At GK Technologies, the nation's security is important business.

Our Automation Industries subsidiary, a leader in systems engineering, has been supplying technical expertise to U.S. Defense Department agencies for decades.

Sophisticated guided weapons systems rely on electronic controls. That's where our Sprague Electric Company plays a major role.

We manufacture electronic circuit components like capacitors, transistors and integrated circuits. These components are critical elements in radar systems, computers, and aerospace instruments.

The vital importance of communications to defense brings us to our third contributor to national security, our General Cable Company.

General Cable, a pioneer in the field of optical fiber cable, manufactured and installed optical fiber cable for high speed data transmission for NASA at Cape Kennedy.

For 1979, GK reported record earnings on sales that topped the billion dollar mark; return on shareholders' investment exceeded 21%. If you'd like to know more about our Company, its technologies and markets, please write for our annual report and latest interim: GK Technologies, Incorporated, Corporate Communications, 500 West Putnam Avenue, Greenwich, CT. 06830.

It tells our story in depth.

GK Technologies

Faces
Behind The Figures

Away from it all

"As to Mr. Carter," said Raymond K. Mason over a crackling long-distance telephone line from County Galway, Ireland, "I have never met him. I have never talked to him on the phone. I haven't written him nor have I ever received a letter from him. I was not a party to any conversations with him."

"Mr. Carter?" It's "Billy" to most of us. The CEO of Charter Co. is talking about Jimmy's brother, Billy, who tried to broker a deal for Charter for Libyan crude oil before the talks faded away last spring. Charter, which Mason built from a $100 million family company

Raymond Mason of Charter Co.
Making it perfectly clear.

into a $4 billion energy, insurance and communications conglomerate in a decade, needs crude: Charter can't get enough low-priced crude for its refineries, including a 50%-owned, 500,000-barrel-a-day refinery in the Bahamas. All this, coupled with softness in the prices Charter gets for some of its refined products, helped bring about an $8.7 million loss in the second quarter on $1.1 billion in revenues.

At his castle in Ireland, where he has been spending the summer, Mason says, "I'm a hundred years away from modern communications. This is my second telephone call since June 11." With the Billy Carter scandal heating up, it may not be his last.—*Thomas Jaffe*

Custodian

Robert K. Heimann is going out quietly but with an impressive record. The 61-year-old chairman of giant American Brands (1979 revenues: $3.8 billion) is taking early retirement at the end of

Heimann of American Brands
Guardian of the cash flow.

1980 after eight years in the executive suite, eight years in which American Brands will have more than trebled its earnings; increased its dividend by almost 200%; increased book value from under $17 a share to over $40. Not bad for a conservative company that never makes the headlines.

Viewed from the outside, Heimann's management style seemed laid-back and his own attitude does little to contradict the impression. Does he see himself as a conglomerator, a master marketer? "We're custodians of cash flow," he told FORBES. "We're like bankers."

Here's a significant twist: Heimann came to American Brands in 1953 fresh from the managing editorship of FORBES. While at FORBES he wrote a cover story on the then American Tobacco Co. "Almost like custodians of some dignified institution" was his description of the managers of George Washington Hill's old bailiwick. Heimann seemed to fit right in. After he was installed in the chief executive's office in 1973, Heimann played a cautious game—letting market share drop but keeping profits high. In 1965 American had 25% of the U.S. cigarette market; last year, under 12%.

Under Heimann's predecessor, Robert Walker, American Brands acquired eight businesses in everything from hand lotion (Andrew Jergens) and applesauce (Duffy-Mott) to Master locks and office supplies. Last year these accounted for 38% of sales and 27% of earnings. But during Heimann's tenure, American Brands has only made two acquisitions—$110 million (sales) Acushnet, a golf and rubber products company, and in 1979 Franklin Life Insurance, with $15 billion of policies in force. Among his criteria: "self-supporting, noncyclical, not capital- or labor-intensive, good management."

That, of course, describes Franklin perfectly. Insurance swelled American Brands' operating income by nearly $100 million and helped American Brands shares nearly double in value from 48½ to a recent 80⅛ in 18 months.

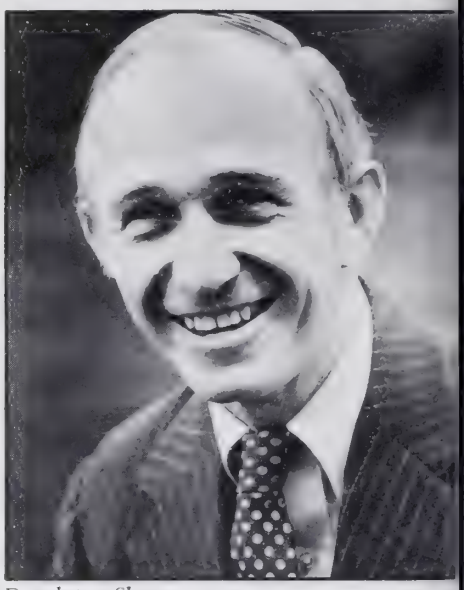
"This is a company run for shareholders," says Bob Heimann. "They tell me they want income and that's what I try to give them." In return, the board of directors was good to Heimann. His salary and total compensation last year was $864,000 and he will get $225,000 a year in retirement benefits.

Heimann's announced successor as chief executive officer: Edward W. Whittemore, 57, executive vice president-operations. Note that, like Heimann, Whittemore originally came from outside the tobacco business; he came up through the Wilson Jones business supplies and Swingline stapling equipment divisions. Whittemore will undoubtedly continue the policy of concentrating on the bottom line and on slow, careful diversification.

Heimann's post-retirement plans? For an ex-newsman he is atypically reticent. A spokesman said, in effect, "no comment."—*Thomas Jaffe*

Looping the Loop

The latest Daley landmark left high and dry in Chicago is real estate magnate Arthur Rubloff, 76, prime mover for seven years in the city's multibillion-dollar North Loop redevelopment project (FORBES, *Mar. 3*). Last month Mayor Jane Byrne passed over Rubloff, who says he's already spent $1.5 million on the plan, to appoint realtor Charles H. Shaw as the

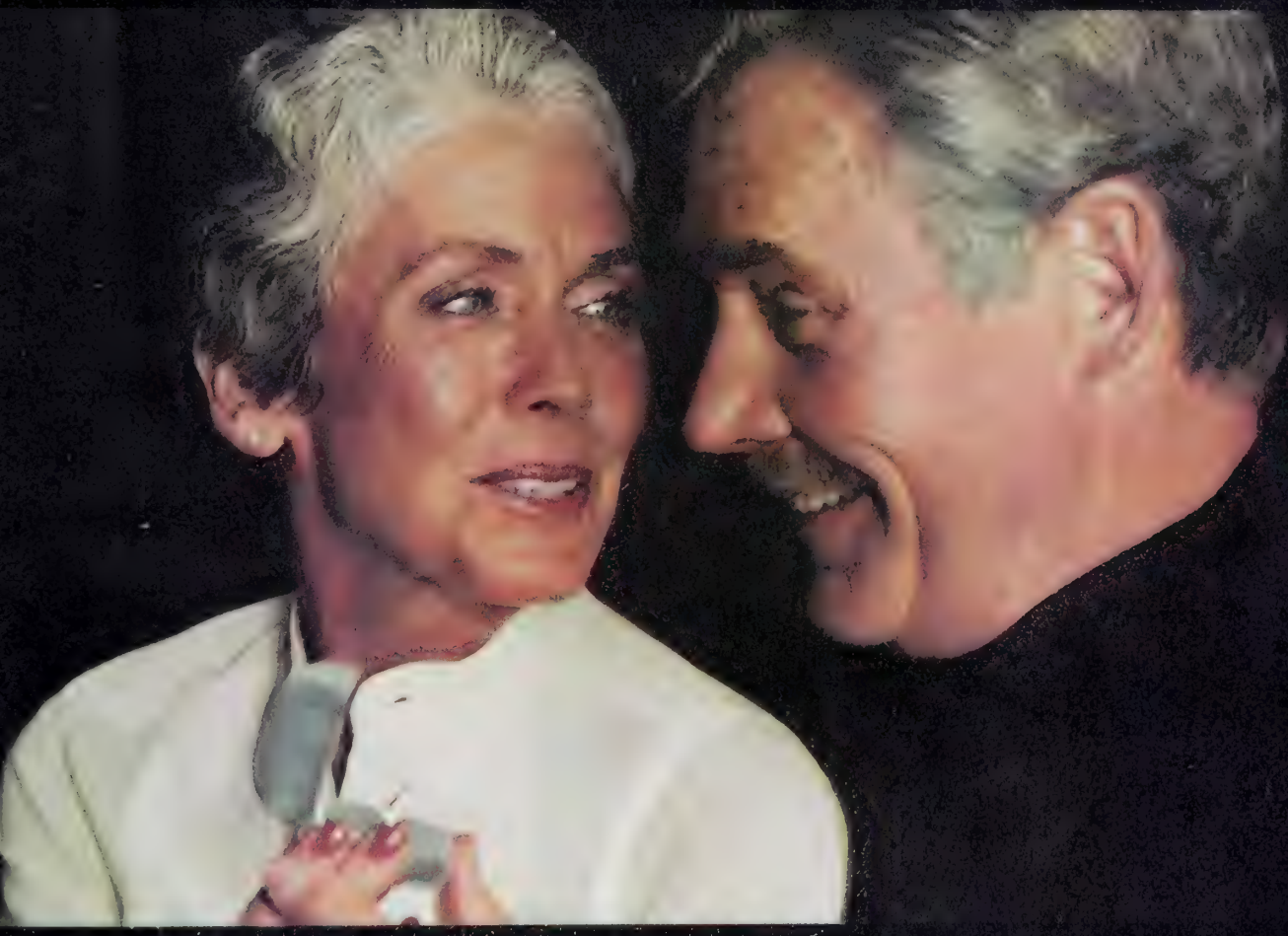


Developer Shaw
When an epoch ended, there he was.

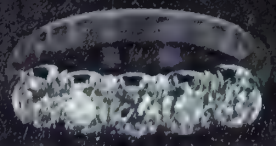
North Loop's coordinating developer.

"Shaw can't take my plans," says the infuriated Rubloff. "He hasn't got the money." He may have a point. The smooth-talking Shaw, 47, admits he has no plans yet, either for financing or design, for the project Daley envisioned bringing about the revitalization of Chicago's dying downtown.—*Lisa Gross*

On our wedding day,
I thought you were the most beautiful woman I'd ever seen.



Some things never change.



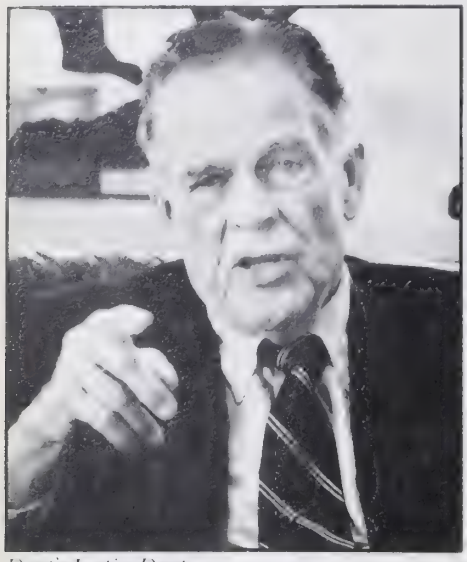
THE DIAMOND ETERNITY RING.

The anniversary gift that says you'd marry her all over again.

The ring shown (enlarged for detail) is valued at about $2,795. Prices are subject to change. A diamond is forever. DeBeers.

Faces
Behind The Figures

Situation wanted



Dart's Justin Dart
A maverick sticks around.

"John Richman needs a maverick like me," says 72-year-old Justin Dart, architect of the proposed merger between his $2.4 billion (sales) Dart Industries Inc., and Kraft, Inc., the giant ($6.4 billion sales) food company. Richman may need Justin Dart but Thomas P. Mullaney, Dart's protégé for four years, apparently doesn't. With Kraft CEO John M. Richman taking the top job in the new company, Dart & Kraft, Inc., and Dart staying active as chairman of the executive committee, Dart President Mullaney turned in his keys to the executive suite.

"For four years I worked in Justin's shadow and looked forward to heading up the company," says the disappointed Mullaney, 47, former head of Pepsico's Wilson Sporting Goods division. "My personal interest would probably be hard to serve in the merged company."

Dart replies: "I put the interest of our shareholders ahead of Tom's personal ambitions." Mullaney wants to become "the CEO of a very exciting, dynamic company."—*Nick Galluccio*

Poor is better?

In June an Alaskan state judge stopped all exploration on over $1 billion worth of Beaufort Sea oil and gas leases because of a suit brought on behalf of Alaskan natives charging it would destroy their "subsistence lifestyle." In other words, their right to be poor. Oil companies have since gotten a higher court to lift the injunction, but a final decision is still pending. The man whose views may well decide the matter is Robert LeResche, Alaska's commissioner of natural resources, who was directed by the court to return a finding on whether the leases are in the best interest of the state and its citizens.

If it sounds crazy to ask whether being rich is bad for you, LeResche says it's not all that clear-cut in Alaska. "Clearly the nation needs the oil and the state needs the money," he says. In fact, the tiny community of North Slope (population 9,000) that brought the suit supports a $400 million capital improvements budget through oil taxes alone. Then LeResche adds a "however": True, the community is wealthier but it's also more socially disrupted. "Alcoholism is a problem now. The town has been flooded with money, jobs, new people and a lot of politicians."

But doesn't that mean the damage has

Alaskan Commissioner Robert LeResche
The state needs the money.

already been done? Probably so, says LeResche, asking rhetorically: "What's more harmful, the first TV in the village or the 100th? Logic says the first one accomplishes 99% of the change." So he says he believes the sale should proceed. "You hear people saying they wish oil had never been found here," he says. "But most of them prefer being wealthy to being poor."—*Flora S.H. Ling*

The way the cracker snaps

In 1943 a Dartmouth economics professor assigned senior Robert M. Schaeberle to write a paper on a company of his choice. Schaeberle thumbed through Moody's and found one called National Biscuit Co.

It's called Nabisco now and Schaeberle is chairman and CEO. With a big boost from overseas operations, Nabisco's earnings are running 15% ahead of last year through the first half. Sales of such products as Oreos, Ritz crackers and Cream of Wheat pushed revenues ahead to $1.2 billion.

For several years, Schaeberle spent

Robert M. Schaeberle of Nabisco
One smart cookie.

much of his effort and money on buildin up overseas operations, where Nabisc had been weak for years. Now he is look ing to diversify further into consume goods and services, which provided les than 10% of sales last year.

At 57, Schaeberle is still nearly a de cade from retirement, but he says: "Jus the other day this college kid in m town sent me a paper he'd writte about Nabisco. . . ."—*Newcomb Stillwell*

The ITT way

In these gloomy days for the steel indus try, Armco Inc.'s oilfield equipment an production division is a bright spot. Nov it hopes another will be an often over looked subsidiary, Middletown, Ohio based Bellefonte Insurance Group, origi nally its captive insurer. The sixth-larg

Armco's Samengo-Turner
Benefits deferred.

Send Today for United's 61st Anniversary Investment Package

Facts, figures, analysis, appraisal of risk, and specific advice to Buy, Hold, or Sell in 8 timely Reports

"7 Stocks at $10 and Under to Buy Now"

Recent market action presents you with an unusual opportunity to roll up sizable percentage gains in carefully-selected "low-priced" stocks. So we have picked 7 we like, now selling at $10 a share or below, and recommend their purchase to you. To spread your risk and improve the likelihood of your profit, we suggest you buy at least 2 or 3 of these issues.

"17 High-Activity Stocks on the NYSE"

Am Cyanamid	City Invest	Gulf & Western
Am Home Prods	Colgate	IBM
ATT	Dow Chem	ITT
Benguet Cons	East Kodak	Philip Morris
Boeing	Fed Natl Mtg	Sears
Citicorp	Gen Motors	

"7 Big Earnings Gainers to Buy Now"

When a company's earnings are in a solid upward trend, sooner or later its stock is likely to be an above-average market performer. And this is especially true if the profit showing is superior to the trend of overall corporate earnings. United recommends purchase of 7 such stocks whose earnings are expected to be up at least 10% this year, despite the recession.

"7 Takeover Candidates to Buy Now"

Takeover stocks have shown sizable price gains over the past year or two. However, it is not easy to tell in advance who is going to try to take over whom. United has done the research for you and presents for your consideration an attractive group of companies which seem to fit the bill. They look like a good place to start prospecting in your attempt to make money in takeovers.

20 Oil Stocks

United believes some are good buys right now

Atl Richfield	Getty	Occidental	Std Oil Ind
Brit Petroleum	Gulf	Phillips	Std Oil Ohio
Cities Service	Kerr-McGee	Royal Dutch	Sun Co
Conoco	Marathon	Shell Oil	Texaco
Exxon	Mobil	Std Oil Calif	Union Oil

14 Gambling Stocks

Are they on the move again?

Bally	Golden Nugget	MGM
Caesar's World	Greate Bay	Playboy
Del Webb	Hilton Hotels	Ramada Inns
Elsinore	Holiday Inns	Resorts Int'l
Gen Instrument	Showboat	

80 Utility Stocks

United's own 13 point evaluation

United's analysts know that each utility's individual strengths and weaknesses can mean a lot to its investment performance. For instance, there is a significant difference in whether it uses coal, water, oil or nuclear. It can be deeply affected by the regulatory climate in its area. In this analysis we show main fuel source, rate the attitude of the regulatory bodies, and present 11 other important factors. All thirteen points are weighed before we give you our advice on which utility stocks we believe you should buy, hold or sell.

Money Market Funds

Do you know which one is right for you?

You can earn 9%-11% and more on your investment, whether it is $1,000 or many $1,000's. And this United Report can help you decide which fund is right for you. It outlines the services each fund offers, shows the average maturity of its investments, and tells what this means. It gives current yield, size of fund, whether or not exchange privileges are available, and much other useful information.

Plus a full 8-Week Subscription to United Reports

• Stock Market Analysis and specific recommendations • General Business Forecast • The Supervised List • Buying advice of other services • Bonds and Preferred Stocks • Stocks to sell or avoid • New product studies • Views of leading authorities . . . and much more

8-issue subscription to United Reports alone is a $20 value.
This entire package only . . . $5

MAIL THIS COUPON TODAY FOR THESE 8 TIMELY REPORTS

Please send me United's 61st Anniversary package of Stock Market and Investment advice. I understand I get my money back if I am not completely satisfied.
My check for $5 is enclosed.

Name_____

Address_____

City_____

State_____ Zip_____

Not assignable without your consent

Report #1	**7 Stocks at $10 and Under**	Report #5	**17 High-Activity Stocks**
Report #2	**7 Big Earnings Gainers**	Report #6	**7 Take-over Candidates**
Report #3	**20 Oil Stocks**	Report #7	**14 Gambling Stocks**
Report #4	**80 Utility Stocks**	Report #8	**Money Market Funds**

Plus 8 weeks of United Reports

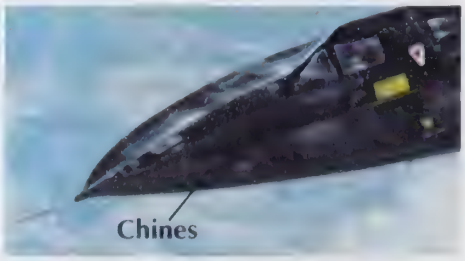
UNITED Business & Investment Service
210 Newbury Street, Boston, MA 02116

F8-18(5)

Lockheed knows how.

The aircraft you see above—the SR-71 and the L-1011 TriStar—are worlds apart in performance, yet each represents a significant aerodynamic advance.

The SR-71 flies for the Strategic Air Command—higher, faster than any other aircraft. Look at the chines on the front of the SR-71 at the right. Without them, most of the "lift" would be in the rear—and the aircraft would dive as it flew. With the chines, lift also is spread across the fuselage, helping the SR-71 to cruise over 2000 mph. The SR-71 was the first operational aircraft to use chines. Now you find them on advanced fighters.



The Aerodynamic Fuel Saver.

A unique aerodynamic advance on the L-1011 TriStar is helping airlines save fuel. Note those long wings. They've been lengthened nine feet since the L-1011 first flew.

An exclusive system of computer-driven Active Control Ailerons made this possible without costly, time-consumin redesign. Automatically, they work in flight to reduce wing structural loads, decrease drag, produce a smoother ride—and save enormous amounts of fuel over the life of each L-1011.

In the future, other jetliners will have Active Controls, lo after they first appeared on the L-1011.

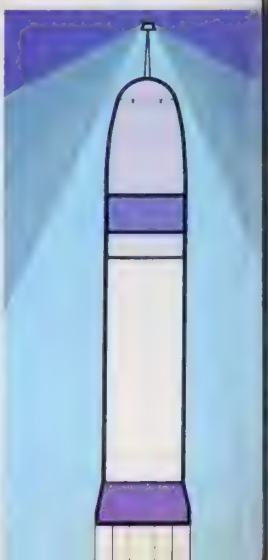
The Aerodynamic Range Stretcher.

The Navy told Lockheed that its newest fleet ballistic miss Trident, must have twice the range of the earlier Poseidon. But Trident's overall physical dimensions could not be any larger than Poseidon's.

This meant Lockheed had to give Trident a blunt nose. (Poseidon had employed a sharp, aerodynamically efficient nose.) This also meant more aerodynamic drag—and drag works against range.

The solution: fool Mother Nature. Lockheed engineers developed an ingenious telescoping spike that extends more than four feet and locks into place at a precise moment after Trident is launched.

Instead of flying through the atmosphere with the blunt nose slamming into air, a small disc



e front of the aerospike diverts airflow and creates the dynamic illusion that Trident is bullet-shaped. This , along with other advances, enabled Lockheed to meet lavy's requirement of doubled range.

e Airlifter Afterbody Champion.

ters are a special breed. To airdrop large equipment, need wide rear doors that create a flat, two-dimensional ce. To provide fast, easy loading, their cargo decks must

C-5 Afterbody

st hug the ground—and this means airlifters need a y upswept fuselage afterbody to let the tail clear the nd on takeoff, particularly short field takeoff. Both the ear surface and upswept afterbody create aerodynamic that you do not encounter in passenger jetliners. is caused the first great airlifter, Lockheed's C-130 ules, to have 10% of its overall drag in the afterbody. wd linking of structural, mechanical and aerodynamic s enabled Lockheed to reduce afterbody drag on the nd great airlifter, the C-141 StarLifter, to 3%. In the third airlifter, the huge C-5 Galaxy, Lockheed engineers led afterbody drag down to an incredible 1%.

The Aerodynamic Lift/Drag Champion.

In aerodynamics, lift is good, drag is bad. The more lift and the less drag, the more efficient the aircraft. And that's where the U-2 reconnaissance aircraft stands out. Those long, slender wings give it the highest lift-to-drag ratio of any operational powered aircraft in the world. But there's even more to the U-2's stellar record. The wings are so successful, in part, because they are extremely light in weight. Manufacturing those feathery wings was as great a triumph as designing them.

The U-2 story is far from over. An advanced version, the TR-1 recently entered production at Lockheed.

What's next? Lockheed's past and present record says new advances are coming, in many forms of flight.

Lockheed

MULTIPLY THIS Rx BY MILLIONS

YOU'LL GET JUST A PART OF ONE HEALTHY AMFAC DIVISION.

Our Distribution Group's wholesaling of pharmaceutical products, mechanical and electrical supplies throughout the West helps make Amfac healthy. But Distribution is just part of this $1.7 billion "Forbes 500" company. Further diagnosis reveals our Food Group, the marketers of millions of pounds of frozen potato products, seafood and cheese annually. Our Hotels & Resorts Group operates 23 hotels and resorts in 9 states. Ten Liberty House Department stores in California, one in Reno and 34 outlets in Hawaii contribute to the rapid growth of our Retail Group. Sugar sweetens our earnings. And 5,763,351 nursery plants sold by our Agriculture Group helped us break all sales records in 1979. We're a growing concern, concerned about growing. For more information and our annual report, write Grafton Jhung, Amfac Inc., Western Regional Office, PO Box 7813, San Francisco, California 94120.

Amfac

Bringing you life's little things, in a big way.

Faces
Behind The Figures

U.S. steel company, Armco hopes to n Bellefonte into a financial services sidiary as successful as the one ITT together in Europe. How better to ceed than to hire the ITT team?

Vilham Samengo-Turner, a British in-ance turnaround specialist who head-that team under Howard T. (Ted) nn, is now chief executive of Belle-te for Europe, while Cohn is overall irman and CEO. In May Samengo-ner followed Cohn, who had left ITT Armco in September. "We developed strategy for ITT in Europe," he says. sically the plan is to do it all over-in for Armco."

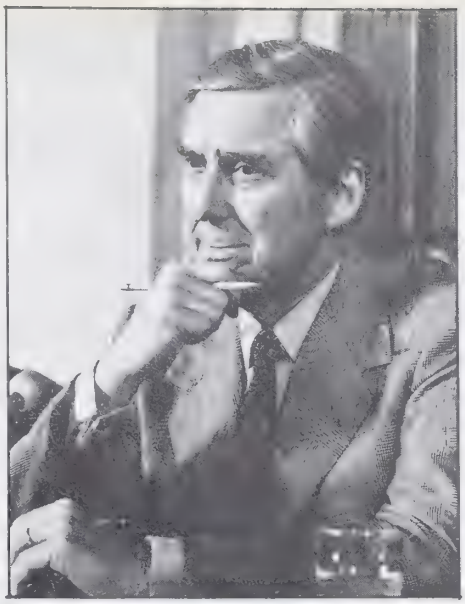
amengo-Turner predicts a difficult years in the U.S., his biggest market, projecting out over five years, ITT-e, he says his end of Bellefonte will w fairly modest growth, to around 0 million in total net premiums from million currently. (Total premiums tten by the whole Bellefonte group e around $240 million last year.) But, he and Cohn did at ITT, he plans ctical acquisitions" that he hopes will ble the size of the company.

le better do it. Samengo-Turner's con-t also bears some of the ITT stamp; benefits, he says, are results-oriented. mco bought me, essentially," he s. "But they bought me on a deferred is. If I deliver the goods, at the end of years, I'll do very well."—*Barbara Ellis*

How much will it cost?

ck in 1973, when I set up a capital nation subcommittee, some of the gs asked me if it had something to do h the architecture of the Capitol," s Senator Lloyd Bentsen (D–Tex.). w, capital formation is a buzz term, so y shouldn't the same thing happen h Bentsen's latest idea, regulatory gets?

Vhat's a regulatory budget? It's a ceil-on the cost of regulation, Bentsen s—not the cost to the government of rating OSHA or the FTC, but the cost usiness and the public of their regula-ns. "Time and time again I've heard ncy heads say costs are not a concern hem," he says. Under Bentsen's plan, ngress would annually give agencies a ximum cost to impose on society. If Environmental Protection Agency's ulatory budget was $50 billion, say, the EPA wanted to cut all smoke-cks down to 3 feet to fight acid rain, Office of Management and Budget uld certify the cost. If the figure was



Texas' Bentsen
Buzzwords for the 90s?

$50 billion, that would be the only EPA rule allowed that year.

"It's not going to be easy and it's not something we should put in full effect overnight," says Bentsen. "But I think we at least ought to have a pilot plan. Our resources are limited, and we must set some priorities."—*Beth Brophy*

Eye to eye?

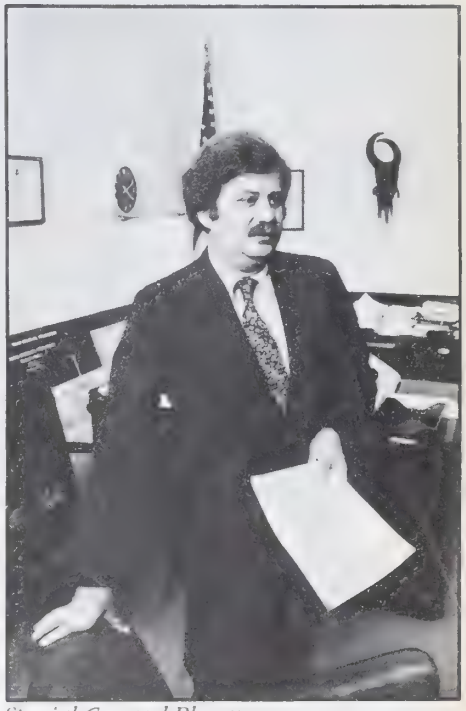
E. Gerald Corrigan was once Paul A. Volcker's closest adviser. Now the gravel-voiced former Fordham economics professor is his own man as the new $80,000-a-year president of the Federal Reserve Bank of Minneapolis.

His views? "Monetary policy isn't a panacea," says the 39-year-old Corrigan, and in that he agrees with his predecessor in Minneapolis, Mark Willes. Now chief financial officer of General Mills, Inc., Willes was often at odds with former Fed Chairman and now-Treasury Secretary G. William Miller over the effectiveness of tinkering with short-term money supply. Willes voted six times against expanding the money supply, arguing that quick fixes would do more harm than good over the long term.

But Corrigan says he's less worried about ideology right now than reality—finding a way to integrate 15,000 thrift institutions into the 5,000-bank U.S. banking system under the new Monetary Control Act, a job somewhat like a python swallowing a pig. At the same time, he wants to ease up on banks' regulatory burdens. Says Corrigan: "Maybe we'll take the lead on that."—*Lisa Gross*

Corrigan of the Minneapolis Fed
Pragmatism, not panaceas.

If the shoe fits



Special Counsel Bloom
Setting his sights on big oil.

"Some of the people I deal with will tell you I'm a demagogic son of a bitch," says Paul Bloom, who may be the kind of regulator Senator Lloyd Bentsen is talking about *(see story this page)*. Bloom, special counsel for compliance at the DOE, has filed almost $10 billion worth of civil actions against the nation's top 15 oil companies for alleged violations of oil pricing and allocation regulations.

So far, Bloom, a 41-year-old former state water lawyer for New Mexico, has extracted some $1.5 billion since he set up shop in December 1977. That was soon after the old Federal Energy Administration realized it had no way of knowing whether the oil companies were complying with the labyrinthine regula-

Faces
Behind The Figures

tions the government dreamed up.

As to whether the whole thing made any sense, Bloom says that's not his affair. "I don't have any particular love or hate for the oil companies," he says. "The government's role is to redeem the integrity of the regulatory system—whether that system is wise or not—and make it work for the consumer." Next target of Bloom's $23 million, 350-accountant, 50-lawyer office: the next 20 largest U.S. oil companies.—*Jeff Blyskal*

Anderson's point man

Lawyer Rogovin
Two parties have their limits.

Mitchell Rogovin leans back in his chair. "If you delve into history you find that Abraham Lincoln was a dark horse out of the third-party stable," he says. "Teddy Roosevelt was hardly an unknown, yet he bolted the Republican Party and created the Bull Moose Party."

If you think that sounds like someone who works for John Anderson, you're absolutely right. Rogovin, a 49-year-old senior partner in the Washington law firm of Rogovin, Stern & Huge, is one of the most important people in the Anderson campaign. If he can succeed in getting Anderson on the ballot as an independent—a tough job in at least a dozen states, including ones as important as California, New York and Ohio—Anderson can go into the history books, win or lose. If Rogovin fails, his man may fade to a footnote at best.

Rogovin, one of Washington's best-known defense attorneys, has represented clients from the radical-left think tank, the Institute for Policy Studies, to the former head of the CIA, William Colby. He represented a *New York Times* reporter in the Pentagon Papers case, the former Lockheed chairman of the board and president in a bribery case and the forgettable Ian Schrager, co-owner of Studio 54, now in the slammer for tax evasion.

Clearly Rogovin is his own man. Says he: "The third party in this country has been a very healthy means of reforming the major parties. There's nothing sacrosanct about the two-party system."

He sips his coffee from a mug emblazoned with the snake of the Soviet KGB. A gift from one of his leftist clients? No, a souvenir from the CIA.—*Beth Brophy*

Ziffervescence

Was William Ziff saying something about the future of the printed word when he bought a computerized economic consulting division on June 12? Absolutely not, says the chairman of the $500 million (revenues), privately owned Ziff Corp. magazine empire: "We happen to have more cash flow than magazines in which we believe absolutely."

Nevertheless, says Ziff, computers are upon us: He expects his Wharton Econometric Forecasting Associates to become the nucleus of a division called "Strategic Information" that should provide around 20% of revenues by 1985.

Data-based economic consulting is simply more specialization, says Ziff, who has built his company out of specialties—magazines like *Car & Driver* and *Yachting*, real estate, greeting cards and broadca ing: "Any market that is made up o relatively small, needful audience who v pay a lot for information they can't w now out of other sources is a good place be." Of course, econometrics will a have some powerful competition from t likes of McGraw-Hill's DRI and Ch Econometrics.—*Christine Miles*

Ziff of Ziff Corp.
Specialize!

Cryptocapitalism in Canton

Lu Yuxi
Taking care of business.

For a veteran of the Chinese Revolutic and a 20-year veteran of the People Republic bureaucracy, Lu Yuxi talks good game of free enterprise. "Compet tion is good for business," he says. "W are investigating the market. We a looking for new clients."

Slender and soft-spoken, Lu is head the National Arts & Crafts Import Export Corp. in Guangdong, an area southern China that includes Canto China's tenth-largest city. Guangdong one of the provinces of the People's R public given a trial period of great autonomy to promote foreign trade. Th may explain why Guangdong beat th national government in delivering th first exhibit of Chinese handicrafts t New York in July.

Says Lu: "We deal directly with bu ers, set terms, negotiate price. The n tional leadership furnishes us the trad policies and world market information. The province keeps 70% of the profits— which even now are hardly peanuts: Las year Guangdong exported $400 millio worth of handicrafts, antiques and pr duce and Lu hopes to increase that b 30% this year.—*Flora S.H. Ling*

Put Corroon & Black on the job.

We're the brokers who'll do more than handle your surety bonding and construction insurance needs.

Having the proper surety bond and construction insurance can be as vital to getting a big construction job as the bid itself. And that's where Corroon & Black's expertise can help.

Our surety bonding specialists will work with you to make certain the required bonding credit availability is there when you need it. And our in-depth construction industry experience will serve to help you with your bonding, insurance, and other construction project requirements.

Couldn't you use this kind of assistance? Then call Corroon & Black. Our team of professionals will analyze your surety bond program and all your construction insurance. And show you the advantages of dealing with one of the largest business insurance brokers in the world, with more than 90 offices worldwide.

To start, just call **Richard M. Miller, President, toll-free, at 800-221-7024.** (In New York, call collect 212-363-4100.)

Corroon & Black

Wall Street Plaza, New York, NY 10005 • Offices nationwide and worldwide

So you want to borrow long-term money at 3%. Why not? Here's hou Textron did it—and how Mesa Petroleum did nearly as well.

Wall Street's latest—hybrid convertibles

The Streetwalker

SOME OF THE SLICKEST packaging around these days is coming out of Wall Street. Take the debentures Mesa Petroleum Co. and Textron Inc. brought to market last spring, when guessing on long-term coupon rates was a dicey business. The offerings were sizable enough—$76.6 million in the case of Mesa; $85 million in the case of Textron. Both companies managed to sneak by with admirably low coupon rates (8.5% and 7.75%, respectively) at a time when outfits of comparable quality were paying 11.75% or more for straight debt.

Despite those relatively thin yields, both issues have been bid up nicely in the last couple of weeks. A generally resurgent bond market has helped. But the move in the Mesa and Textron debentures is, as much as anything else, a tribute to inspired packaging.

The issues are hybrids of a rare form. Only four others of the same type have popped up on the Big Board bond list since 1970. The debentures convert unconventionally, not into the underlying common of the companies themselves, but into portfolio stocks in which they have handsome profits—1.15 million shares of General American Oil in the case of Mesa; 1.45 million shares of Allied Chemical in the case of Textron.

Mesa and Textron have their cake in the form of potentially higher dividends on escrowed portfolio stocks that may not be demanded by debenture holders for years. Mesa and Textron also got to eat their cake by converting their investment in the stocks, plus a fat additional premium paid by debenture holders, into very low-cost new capital—all on a slow-pay, tax-deferred basis.

There's some sweetener for the debenture holders, too: a long-term call on potential capital gains of their own in General American and Allied, with the kicker of a better current return than can be had on the underlying stocks. At prevailing prices the Mesa Pete debentures, for example, are yielding 7.3% compared with only 0.9% on the General American shares for which they can be exchanged. Textron's debentures are yielding 7.4%, Allied Chemical common, about 4.3%.

Cake, yes; free lunch, no. Conversion of a conventional debenture into the common stock of the mother company is a nontaxable event. For reasons buried in the dank verbiage of the Internal Revenue Code, however, an exchange on hybrids like the Mesa and Textron debentures qualifies as a capital gains happening. Thus, a taxpayer in the top bracket lucky enough to swap $1,000 worth of the Mesa 8½s of 2000 for $2,000 worth of General American common would be liable to the capital gain levy the minute he makes the switch.

Like conventional convertibles, the hybrids can produce capital gains only if a) the price of the portfolio stock advances; b) interest rates decline; or both. The environment so far has been friendly. The bull market in crude-producers' shares has pushed General American from the 57⅝ at which it was trading when the Mesa debentures made their debut to 67⅞—a tad above the 66 price at which the debentures can be exchanged for 15.09 shares of the portfolio common.

Thanks to the gravitational pull of that move, Mesa's hybrids have shot from the original offer of $1,000 to $1,175. Now that General American has crashed through the barrier of the exchange price, the debentures should move point for point with the common if it continues to rise. If the stock sells off, their higher yields should put a floor under the debentures. That's the theory of investing in converts—the prospect of participation in an upside move and a degree of protection on the downside, a with the prospect of reasonably goo current income.

The theory has worked with Allie Chemical so far, too. More an oil than chemical play itself these days, Allie has moved, but not nearly so dramatica ly as General American. The stock h gone from 50 to 51¾ over a period i which Textron's debentures have rise from the original offer of $1,000 $1,050.

It was a highly sophisticated strateg that led Mesa and Textron to go th hybrid route. Both had long profits in th portfolio stocks—$11 million for Te tron and $45 million for Mesa.

For a variety of reasons, both comp nies wanted to get out of the stock Mesa, for example, had bought up 7.4 of General American in the hope of d ing a merger. General American coul not be persuaded to go along. Textron original plan to buy up 9.6% of Allie changed when its management (and A lied's) changed.

Both companies felt they could g higher returns by plowing the inves ment money back into the mainstrea of the business. Neither, however, w terribly enthusiastic about letting th IRS take a big capital gains bite out their profits. Was there some way the could have their cake and eat it, too Why, yes, thanks to some sharp-pencile figuring and the corporate finance bo fins at Salomon Brothers and Merri Lynch White Weld.

Maurice G. Wilkins Jr., vice presider and treasurer, explains how the arithme tic worked at Textron. The conglome ate paid about $61 million, an average about $42.50 a share, for its Allied stoc Selling the stock at 50 would hav brought in about $72 million—an $1 million gain that the 28% tax bite woul instantly reduce by $3 million, leavin Textron with $69 million in hand.

Not bad, but not nearly so good a wrapping the stock in debentures. Tex

A bright future is: being in an industry no other industry can do without.

Today, it is difficult to imagine a business in any major industry being managed efficiently, or even producing its products, without some reliance on electronic information processing equipment.

That's why the information processing industry is growing so fast.

And MAI, as a major multinational manufacturer, marketer and servicer of Basic Four® business computer systems, is well positioned to participate fully in this industry's growth.

For several reasons:

By supplying useful information faster, and often at lower cost, MAI's products and services help businesses manage their operations more efficiently. An important advantage, particularly in a time of recession.

Our increasing investment in research and development keeps our products technologically and cost competitive.

Our products' acceptance in rapidly expanding worldwide markets, combined with our financial and management capabilities, are reflected in our revenue growth over the past five years.

And our capital expenditures, which have increased substantially over the same period, will continue to increase in 1980. An expression of our confidence in a bright future.

To learn more about MAI write for our Annual Report to: Management Assistance Inc., 300 East 44th Street, New York NY 10017.

It Takes A Smart Company To Make Computer Technology Simple.

MAI

The MAI Companies: Basic Four Corporation • MAI International Corporation • Sorbus Inc.

tron in effect added to its paper profits by slapping an 18% premium on the stock that marked up its conversion price from 50 to 59. The conglomerate netted $84.6 million on the sale of the debentures, $16 million more in cold hard cash than it would have if the stock had been sold outright.

True, Textron is paying 7.75% or about $6.5 million in the first year for the use of that money, most of which went to whittle down high-cost, short-term debt, but those are not bottom-line numbers. The aftertax cost on the debt service is about $3.5 million, according to Treasurer Wilkins, and that has to be reduced by the $3.2 million (85% taxfree) in Allied dividends Textron continues to collect. Wilkins figures that Textron—"net net"—is paying about a half-million dollars for the use of that extra $16 million it got to play with by adopting the hybrid strategy. That's a net cost of 3%! Try beating that. The debentures do not mature until 2005 and Textron won't have to begin paying up its capital gains liability on the stock until the debenture holders begin to convert. That may not begin to happen in any significant way until 11 years from now, when the clock on mandatory sinking fund retirements begins to run.

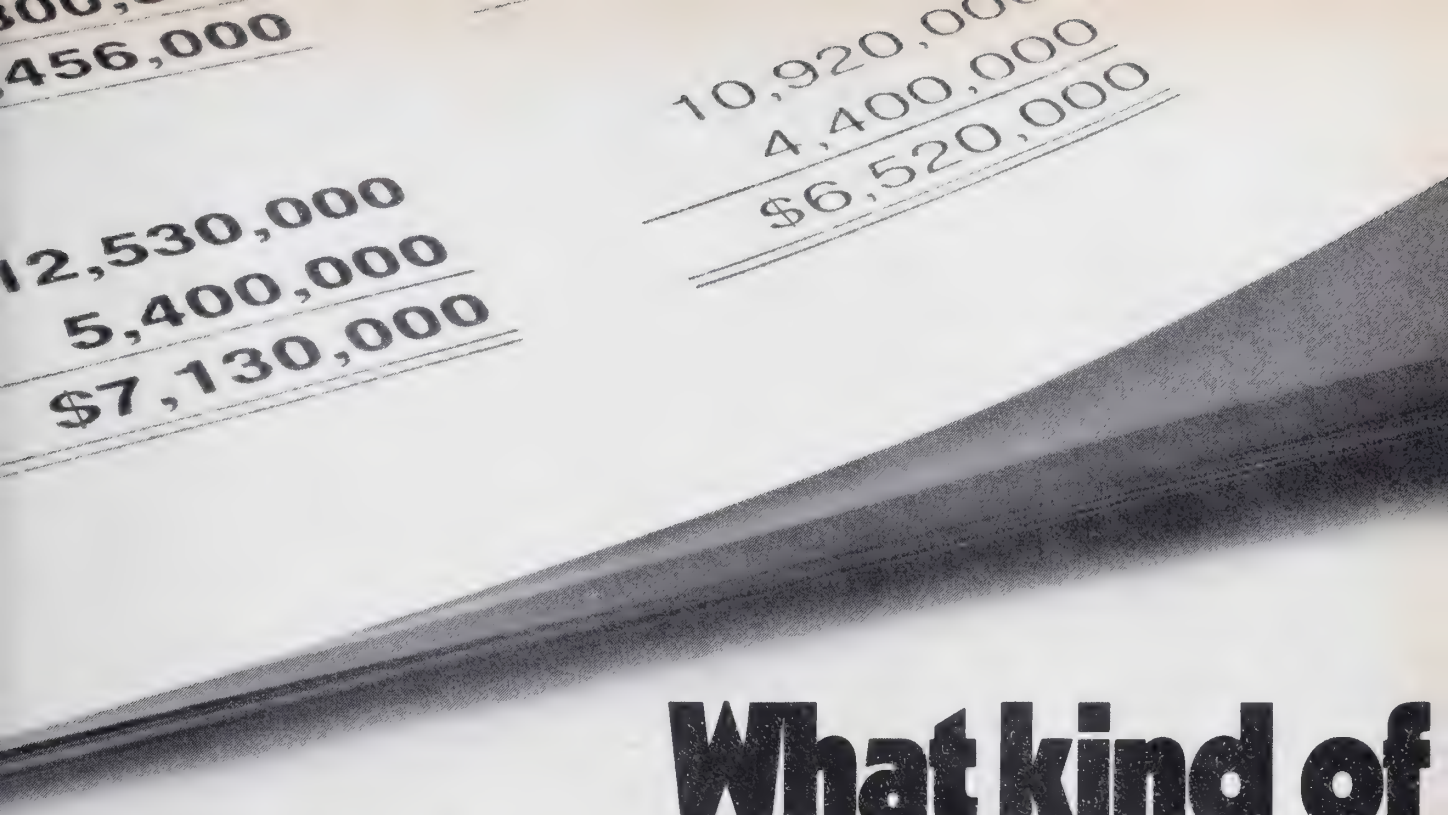
Treasurer Wilkins looks up with a pleased grin from the numbers that have been dancing over the face of his desk-top calculator. "What we've done is back out our investment and profits and got some nice low-cost money to work with," he says. "We know we can make more on it in the operating divisions than in the stock market." The numbers are somewhat different at Mesa (General American's dividends amount to about $650,000 a year), but Chairman T. Boone Pickens Jr. is pursuing the same logic.

Any risks? Unfortunately, yes, for investors. Interest rates could go up; Allied and General American common could fall out of bed. Look at what the whiplash of that double jeopardy has done to other hybrids like the Dart Industries 4¼s of 1997 (exchangeable into 3M common) or the International Paper 4¼s of 1996 (exchangeable into C.R. Bard common). The Darts are trading at around $680 per $1,000, the International Papers at around $585.

The packaging business on Wall Street, though, is no different from anywhere else. Nothing is more imitated than success. The likelihood is that other hybrids will soon be following the Mesa-Textron lead. The Sun Co., for instance, has already said that it intends to spin off the 32.5% interest it owns in Becton, Dickinson by way of a debenture offering.—*Richard Phalon*

Mesa Chairman T. Boone Pickens Jr.

Financial sophistication comes in many packages.



What kind of accounting firm doesn't stop at the bottom line?

The bottom line isn't the only thing you have to consider in your business.

And it shouldn't be the only thing your accountant considers.

In our view, an accounting firm owes you some *innovative thinking,* too. About your business, and ways to improve it.

Which means what, exactly?

Well, among other things, it means helping you evaluate your internal accounting controls—to satisfy your own particular needs, regardless of what the SEC may ask for eventually.

It means having people who understand your business—its accounting practices, its regulatory environment, its financial pressures.

It means having the tax know-how (and sophisticated computer programs) to run through all the tax alternatives available to you—and to come up with the one that hurts least.

At Deloitte Haskins & Sells, it means all this and a whole lot more.

When all is said and done, nobody who's anybody in business thinks only about the bottom line.

As accountants, we think our job is to go beyond it.

Deloitte Haskins + Sells

Beyond the bottom line

©1979 Deloitte Haskins & Sells, 1114 Avenue of the Americas, New York, N.Y. 10036

A gaggle of well-heeled high rollers have discovered reinsurance. Is ignorance bliss?

Blindman's buff?

By Stanley Ginsberg

REINSURANCE LOOKS LIKE a simple enough proposition: the purchase of insurance by one insurance company from another—the way bookies lay heavy action off on other bookies to limit their exposure if the long shot comes in. It also looks like a money machine. Since the late 1940s the domestic reinsurance industry has grown at better than 10% a year, with premiums reaching $9 billion last year. What's more, the industry has consistently returned 12% to 15% on equity.

Lured by the vision of easy cash, a lot of new players have moved into the reinsurance game over the past few years. They come from all over the map, and they gather at the big markets—New York, London, Bermuda—lugging their baskets full of capital and pricing close to the edge, if not over it. With so many new players eager to snap up business, the once-orderly market is now in a state of uncertainty. As one broker puts it: "One stiff breeze and it's all over."

Beneath the profitable surface, reinsurance is a complex tangle of international gentlemen's agreements, an absence of regulation and firm ground rules and a seductively large cash flow that is too easily mistaken for profit. It is a game of feel and judgment, and the field is already littered with the bodies of the foolhardy.

"For years," says Daniel Gross, president of Kramer Capital Consultants, Inc., "a relative handful of knowledgeable international writers, with longtime bus ness relationships came together in free-market environment where supp and demand set the prices. It was bo stable and highly profitable." While pr mary property/casualty insurers rode th roller coaster every six years, compani like General Reinsurance, the largest ar by all accounts the best-managed of th domestic companies, could show an u derwriting profit for every year betwe 1947 and 1973.

But in reinsurance, underwriting pro its are the smallest part of the pictur The real money is in investment i come. In 1978, for example—a good, b not outstanding, year—the domestic i dustry realized underwriting profits 0.5% on $8.5 billion in premiums. I vestment income, meanwhile, came 11.4% of premiums. What makes th possible is the float. Most propert casualty lines have a long "tail"—the i terval between collecting premiums ar paying off losses. Therefore, it is possib to show underwriting losses while ma ing money on the portfolio. It has bee estimated that every dollar of premiu produces $1.53 in investable funds.

There is more: Reinsurance can be a ideal tax shelter because underwritin losses and the statutory accounting pra tice of charging sales costs to the fir year can both create tax-loss carryfo wards. Combine that with a portfolio tax-exempts and a reinsurer can kee nearly everything it earns.

Consider General Re's 1979 tax bill: it had to pay at the prevailing corpora rate, the company's earnings of $152 million on $772.5 million in premiun would have produced a tax liability just over $70 million. In fact, Gener Re's net payment of $9.3 millic amounts to barely 6% of income—ar that in a year without a carryforward.

Then there is the inflation-relate growth factor. One of the reasons prim ry insurers go to the reinsurance mark is to keep liabilities in line with su pluses. When these liabilities rise fast than surplus warrants—as in times high inflation—the primary insurers a faced with a choice: They can refu business and lose market share, or the can continue writing and lay off the e cess, while collecting a commission f their trouble. Between 1973 and 197 total reinsurance premiums written gre by better than 20% a year.

Small wonder then that the field filling up and that price-cutting shran profits last year and this. "In the past fi years," observes Paul Ingrey, Prudenti Re's chief underwriting officer, "th number of reinsurers writing in the U. may have doubled." Who are the ne players? Many are foreign-owned comp nies—French-owned SCOR, for exampl whose U.S. premiums have grown fro $1 million in 1974 to $19 million

General Re Chairman Hudson
"A West Coast earthquake could bring the industry down."

978, or Skandia, which jumped from 35 million to $142 million between 973 and 1978. Others are newly formed nderwriting pools, like AIG's Transatantic Re, which wrote $98 million in 978, its first year of operation, and life nsurers' reinsurance subsidiaries like Prudential Re ($307 million in 1978) and Mony Re ($58 million). Even so venerble an institution as Lloyd's is following he trend: In the past four years the number of names in the Lloyd's syndicate ists had doubled. "Most of them never closed out a year until this year," sniffs one veteran broker.

But by far the biggest new group of entrants are the captives—subsidiaries of industrial corporations that were originally set up to stabilize earnings nd reduce taxes. After the IRS ruled in 978 that Carnation could not deduct ts self-insurance premiums unless the captive wrote outside business, a whole new gang of players hit the street all at once. "Here were a lot of guys—corpoate risk managers—who saw their big reak," says an analyst. "Suddenly they had a chance at running their own how. They could head a profit center nd not an overhead department. They ouldn't wait."

When you have that much hungry cap-tal around something has got to give, nd that something is usually prices. "Last year," says Prudential Re's Ingrey, "we wrote coverage on a midwestern public utility for $100,000. This year we offered the same deal for $60,000—a 40% cut—and lost out to someone who wrote it for $30,000."

Current interest rate levels have done a lot to spur the price-cutting. "There really isn't much of a choice," Ingrey continues. "Either you can take the chance on bigger underwriting losses in order to maintain market position, or turn underpriced business away and live off the surplus account." Whatever the choice, too many years of cut-rate pricing can put a big crimp into investment income as well as into underwriting results. All this could lead to defaults.

Reinsurance is a complex tangle of international gentlemen's agreements and absence of regulation and a seductively large cash flow that is too easily mistaken for profit. It is a game of feel and judgment, and the field is already littered with the bodies of the foolhardy.

What makes a default likely is that the majority of reinsurers, and new entrants in particular, appear to be underreserved. "Reserves are critical," says General Re Chairman Harold J. Hudson Jr. "As a long-tail line, claims go out very slowly—as an extreme example, we have just received a World War II claim. Profitability depends on how accurately you reserve against claims. Too many reinsurers are prematurely passing premiums through to the earnings column."

Another serious problem is the fact that the newcomers are ending up with the highest risks—at the lowest prices. It is a maxim that the further a risk has traveled, the closer it must be examined. Yet the only way most newcomers can crack the exclusive reinsurance club is by taking the risks that nobody else wants—usually big-ticket casualty cases in areas like product liability and environmental damage—at cut rates. The present shortage of experienced underwriters, moreover, means that a lot of reinsurers may be unaware of the time bombs in their pockets.

What would it take to bring the whole thing tumbling down? "A major West Coast earthquake could cause $50 billion in property damage—and at least that amount in workmen's compensation claims if it happens during working hours," observes Hudson. "A hurricane that follows the coastline, like the one in 1938, could cost as much as $30 billion. That would ruin a lot of companies."

In business it's never wise to bet that the worst won't happen. ■

Capital is the most influential business magazine in Germany, and the largest such magazine in all of Europe. It is by far the most effective, efficient way to reach decision-makers in Germany.

For more information on the media and markets of Germany, and how Gruner + Jahr can help you reach them, please contact Henry Meyer-Oertel, Gruner + Jahr International, 60 East 56th Street, New York, N.Y. 10022, Phone (212) 753-6190.

DrMK

G+J Communication in Germany

Gruner + Jahr AG & Co, Druck- und Verlagshaus, Postfach 30 20 40, 2000 Hamburg 36, West Germany

Call it socialism or call it compassion, the real root of heavy taxes and big deficits lies not in government "spending" but in its growing role as a redistributor of income.

The Peter-to-Paul Principle

By William Baldwin

HERE'S SOMETHING TO ponder while the politicians vie with each other, making promises to hold down government "spending": A full 52% of the federal budget—$327 billion worth in the next fiscal year—is not spending in the conventional sense but rather redistribution of income. The federal tax system simply takes that much money from its citizenry and then gives it back—but in different proportions. Basically, the Feds are moving money away from workers and putting it into the hands of the old, the poor and the nonworkers. This is good or bad depending on your social outlook, but it is a burden on the economically productive part of the economy no matter how you view it. Look at it this way: The government is taxing away some of the productivity that results from a free-enterprise system and giving it to those people who don't fare particularly well under that system or who are too old to participate.

Many of these transfer payments come in open-ended "entitlement" programs. The theory is that people are entitled to benefits, so whatever the demand, the money simply has to be there—one reason these and other uncontrollables in government spending have expanded from 66.4% to 76.6% of the budget in the past ten years. Old folks are entitled to hospital insurance. Some 22 million Americans (up from 18.4 million a year ago) are entitled to food stamps. Federal employees are entitled to fully indexed, half-pay pensions as early as age 55. And, of course, the 35.2 million pensioners on Social Security are entitled to their monthly checks, which include a 14.3% raise as of July to keep up with inflation. Notes Henry Aaron, a Brookings Institution economist: "It's not possible to go to present beneficiaries and say, 'We're going to slash benefits.'

Social Security's old-age, survivor and disability payouts in fiscal year 1980 will top $116 billion, up 150-fold in 30 years. Unemployment insurance will be about $18 billion. Rent subsidies and other housing programs will cost $5.2 billion, up 700-fold from 30 years ago.

Costs almost always outrun expectations. When Congress approved Medicaid (health insurance for the poor) in 1965, it figured on an annual cost of $200 million, but the 1980 price tag is $13.8 billion. Some more recent programs have big potential, too. "Energy assistance and trade adjustment assistance are becoming a monster," warns Rudolph G. Penner, director of tax policy studies at the conservative American Enterprise Institute in Washington, D.C.

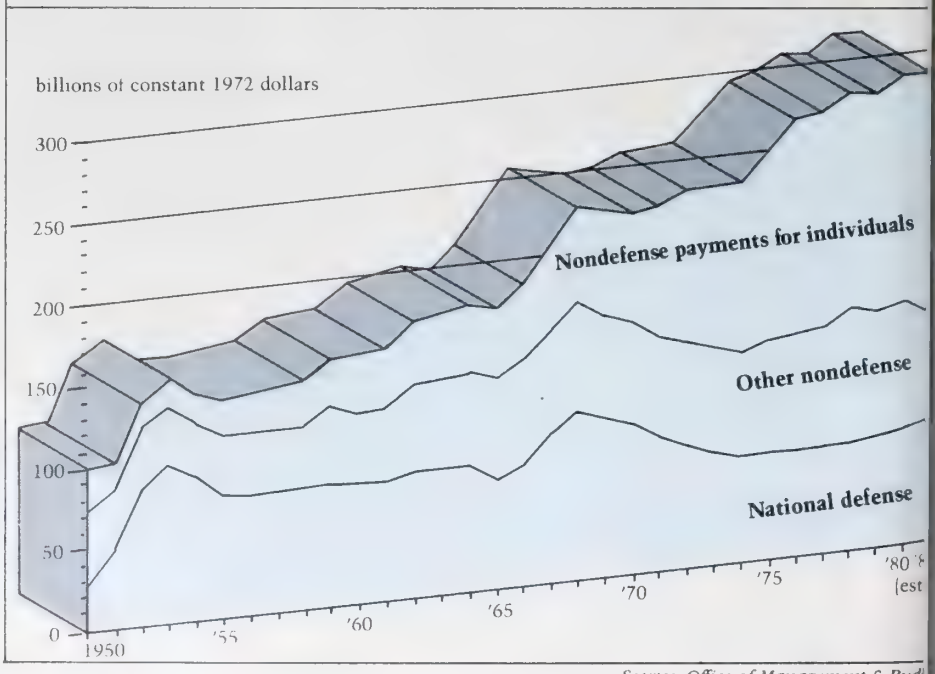
Creation of new programs, liberaliz tion of old ones, higher participation b eligible people, inflation—all have fuele the explosion in social-welfare costs. I the 1980s the introduction of new pr grams may well abate, for the simpl reason that the money tree has bee picked clean. "The pressure to keep fe eral spending down is so strong th there is no significant chance of legisla ed increases of any magnitude," predic Brookings' Aaron. But even without ne legislation the government has commi ted itself to enormous future payment such as the more than $100 billion i rent subsidies guaranteed in Departme of Housing & Urban Development co tracts that run for up to 40 years.

Says AEI's Penner: "It seems that an one hoping to reduce the size of gover ment spending relative to GNP is whi tling in the dark." What about the Kem Roth goal of a 21% federal share of GN in fiscal 1980 dropping to 18% in fisc 1983? The reality, according to Brool ings budget economist Robert W. Har man: Uncle Sam's piece of the pie wi soon top the post-World War II record 22.6%, set in 1976.

According to University of Virgin economics professor Edgar Brownin the break-even point lies betwee $10,000 and $15,000 in adjusted gro income; households below that level g more in redistribution from the feder government than they put in. But eve the rich get something: Millionair draw Social Security like everybody els

The high cost of government generosity

The ballooning of the federal budget is a result of payments for individuals, through welfare, retirement, health, unemployment and other programs. In inflation-adjusted dollars, defense spending (including military retirement) has been shrinking for a decade.



Source: Office of Management & Bud

How A&A looks at chemicals

Spraying liquid fertilizer on a corn field in Iowa.

From formulation to transportation to use, misuse, and possible abuse, Alexander & Alexander looks at liquid fertilizers through the eyes of the chemical manufacturer. We determine where the risk lies—and where the claims might arise. We keep an eye on the product long after the containers have left the plant. Long after the fields have been sprayed. Long after the crops have been picked, distributed, and sold.

Product liability protection

It's not the usual way to look at chemicals. Unless, of course, you're one of the chemical companies or associations on A&A's roster of clients.

But this insider's vantage point gives A&A the best view of the short- and long-term risks involved in the chemical industry. It's the frame of reference that enables our product liability specialists to represent accurately to the underwriter any client in any industry—keeping the dollars and cents of safety in mind, controlling costs and claims for our clients.

Every industry is unique. Each has different needs. For insurance, for risk management, for human resources management, for financial services. That's why A&A works from a client's point of view. Only by working as partners, by solving business problems together, can we be sure a company gets the most comprehensive, cost-efficient programs possible.

We think our dedication to forming a close alliance with our clients is a big reason why A&A has become one of the biggest and most trusted insurance brokers worldwide. Each of our 120 offices here and overseas offers the facilities, expertise, and strength to meet the needs of any company, large or small, in any industry. Because we work the same way with every client. From the client's point of view.

Alexander & Alexander

From the client's point of view.

prosperous students get 7% loans; a jobless screen star qualifies for unemployment insurance. Under the circumstances, cutting government spending is going to be almost impossible; just holding it steady as a percentage of gross national product may be difficult enough to accomplish.

Why it's so hard is the moral of a story told by Senator Russell Long, chairman of the Senate Finance Committee, about his Uncle Earl, once governor of Louisiana. The pair were on the campaign trail, and Uncle Earl was making big promises: pensions for old folks, bonuses for vete ans, higher pay for teachers. "How yo gonna pay for that, Uncle Earl?" the se ator says he asked again and again. Unc Earl answered: "Let's wait and see if w get elected. If we don't, we don't have worry about nothing." ■

If Jay Perry can't get Dean Witter Reynolds into the institutional big time, nobody can.

The odd couple

By Thomas C. O'Donnell

At 60, handsome, white-maned Andrew Melton is a casting director's ideal of how an urbane Wall Street executive should look. Reed-thin and restless, Jay Perry is almost Melton's opposite. Melton is tough but low-key. Perry, who chain-smokes and talks like a machine gun, will compliment a subordinate with, "I love ya, baby."

Melton and Perry are an unlikely team, but a team is just what they have become. Melton is chairman of Dean Witter Reynolds. He recently hired Perry as an executive vice president to handle the firm's lagging institutional trading department.

Perry, who grew up in Hot Springs, Ark. where his father ran a small clothing store, arrived in New York during the winter of 1958 without an overcoat, wearing a summer suit. Today, at 45, he is reportedly worth $10 million. He made most of it at Salomon Brothers where, from 1967 to 1975, he assembled a team of traders that brought the firm, then basically a bond house, into the big time block-trading of equities.

The abrasive Perry—by then a general partner—lost a power struggle five years ago and was exiled to Salomon's Dallas office. After spending three years there, he left the firm in 1978.

He next surfaced on Wall Street a year ago, when he was hired by Blyth Eastman Dillon to beef up institutional equity sales. In just five months, Perry says, he moved the firm from nineteenth to second in trading volume. But then he suffered another setback: Last fall Blyth merged with Paine Webber, and Perry soon left.

He's as abrasive as ever. After arriving at Dean Witter, Perry boasted he was the "first, second and third best thing that's happened to Witter in years." Sighs one Witter executive: "We've gotten plenty of calls from our people asking what the heck is going on."

What's going on, according to Melton, is the transformation of Witter into a "full-service financial institution." He adds: "There are very few top professionals in the block-trading area and Jay is certainly one of them."

No one doubts that. What they question is Perry's ability to restrain h monumental ego and get along with Wi ter's top management, especially Me ton. "Look," says a competing trade "Salomon is one of the most aggressi firms on The Street and their people a among the smartest. You can have t personality of a piranha fish and they love you, provided you produce. If Per was too much for them, how can he fit at a stodgy outfit like Witter?"

Nobody thinks that Perry has me lowed, so the answer to that questic depends on what he accomplish against heavy odds. Witter has alwa been a conservative firm. Founded Dean Witter in San Francisco in 1924, has prospered by catering to big-tick retail customers, especially in the Wes Although earnings in the latest quart soared to a record $11.1 million, up fro $2.4 million a year earlier, institution stock transactions accounted for a sca 15% of the total.

Thus the need for Perry, who has hire nearly 40 traders, stock analysts a salesmen from such rivals as Morga Stanley, First Boston, Goldman Sac and Paine Webber. To get them he h sometimes upped salaries 50%, paid u front bonuses of up to $25,000 and gua anteed annual incomes as high $200,000. Among his hires: Wayne O landt of First Boston, who worked f Perry at Blyth and is now Dean Witte head trader; Michael Antenucci w worked as head options trader at Morga

Dean Witter Chairman Andrew Melton (left) *and Executive Vice President Jay Perry*
Hoping the new marriage will ring some bells.

This advertisement is neither an offer to sell nor a solicitation of offers to buy any of these securities. The offering is made only by the Prospectus.

NEW ISSUES

July 21, 1980

$200,000,000

Celanese Corporation

$100,000,000

10⅞% Notes Due 1987

Price 99.50%

plus accrued interest from July 15, 1980

$100,000,000

11⅞% Sinking Fund Debentures Due 2005

Price 99.75%

plus accrued interest from July 15, 1980

Copies of the Prospectus may be obtained from any of the several underwriters, including the undersigned, only in States in which such underwriters are qualified to act as dealers in securities and in which the Prospectus may legally be distributed.

The First Boston Corporation

Goldman, Sachs & Co.

Lazard Frères & Co.

Merrill Lynch White Weld Capital Markets Group
Merrill Lynch, Pierce, Fenner & Smith Incorporated

Salomon Brothers

Bache Halsey Stuart Shields Incorporated

Bear, Stearns & Co.

Blyth Eastman Paine Webber Incorporated

Dillon, Read & Co. Inc.

Donaldson, Lufkin & Jenrette Securities Corporation

Drexel Burnham Lambert Incorporated

E. F. Hutton & Company Inc.

Kidder, Peabody & Co. Incorporated

Lehman Brothers Kuhn Loeb Incorporated

L. F. Rothschild, Unterberg, Towbin

Shearson Loeb Rhoades Inc.

Smith Barney, Harris Upham & Co. Incorporated

Warburg Paribas Becker
A. G. Becker

Wertheim & Co., Inc.

Dean Witter Reynolds Inc.

Stanley for only a week before signing on with Perry; and chemical stock analyst William Young from Morgan Stanley, who Perry says is "as good as two Hank Aarons."

In typical Perry language the new block-trading boss explains his success in attracting talent: "I've appealed to them in a way they can understand—cash in their pockets." Says Andrew Melton: "Jay is a very confident young man. If you ask him, he would probably tell you the serial number of the unknown soldier."

The end of fixed commission rates sliced profit margins on institutional block sales razor-thin. Only the five biggest firms in the business make any big money. Witter is in tenth place and a move to fifth will take plenty of time and money. Perry has already added over $2 million to the firm's overhead.

With $186 million in capital and just $18 million in debt, Witter is one of the most strongly capitalized and best managed firms in the industry. Witter has never had a losing year and earnings in 1980 are expected to triple those of 1979. Value Line recently selected Witter's shares, selling recently at about 17, as one of the best buys among brokerage stocks. Thus the firm can easily afford the costs and the ris of trying to break into the big time institutional trading. Still, Melton do have a problem with Perry: Melt can't afford to build institutional sal at the expense of the firm's very prof able retail business.

"Every morning when I get up, t first thing I think about is our 275 ret branches," Melton says. "We want change and grow, but above all we do want to lose what we already have." B you can't introduce a foreign body int situation like this without potential d ruption. Dean Witter Reynolds is goi to be an interesting place to watch. ■

Sperry & Hutchinson looks grim. So why is Texas' superrich Bass family buying the stock?

Floating upstream

By Newcomb Stillwell

WHILE THE HUNTS BUY SILVER, their fellow Texans, the Bass family of Ft. Worth, buy real estate and blue-chip stocks. The Basses are not as visible as the Hunts but they may be just as rich *(see box, p. 116)*, and they seem to be pretty shrewd. So you have to wonder why they bought up nearly 20% of Sperry & Hutchinson, the Green Stamp company, over the past eight years.

A takeover and liquidation attempt? "I don't want to take over anything," snaps Sid Bass, eldest of the four Bass boys. Indeed, it's hard to see how he could: 60% of $809 million revenues S&H is still owned by the Beinecke family of New England, descendants of founder Thomas A. Sperry. A third generation Beinecke, 37-year-old ex-Marine Frederick W. Beinecke II, is S&H's current president. But if the Basses are merely along for the ride, the question is why?

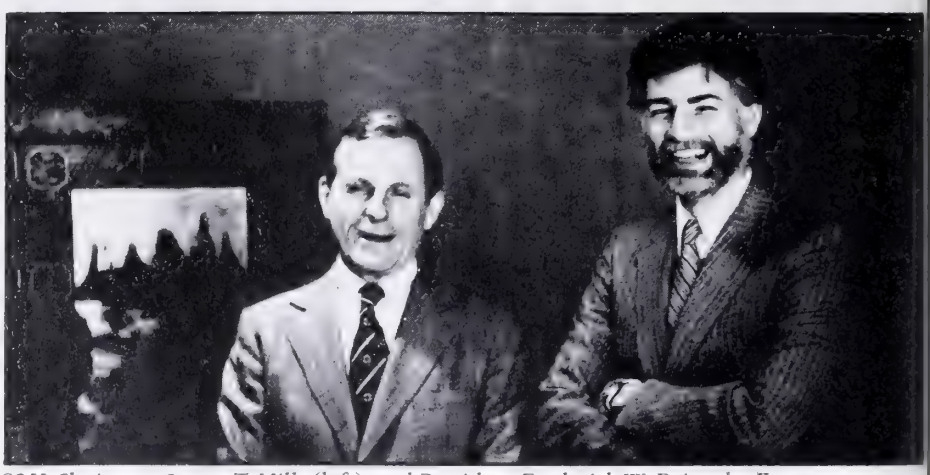
S&H is a discouraging sight. Its earnings through the first half ran 27% behind last year. Margins slipped under 3% for the first time since the 1974-75 recession, and revenues trailed last year's $809 million pace by 4%. The Green Stamp business, after a little uptick since 1977, has resumed a ten-year decline. The company's major diversifications are in the furniture and carpet business, anemic for the past decade, and in insurance—the brokerage part squeezed by this year's premium rate-cutting instead of the underwriting/investment part that made good money.

Look again, though. The ride the Basses are along for might turn out to be interesting. S&H may look like a white elephant, but in reality it's a lovely cash cow; and what Beinecke and Chairman James T. Mills, 56, are doing with the cash cou make the company look a lot better in couple of years than it does now.

The key? Those stamps, still 32% revenues and approximately 59% earnings. Their outlook is bleak. recent surveys by *Progressive Grocer*, trade magazine, grocers put a comeba for trading stamps among the thin "least likely to happen in the 1980s," a consumers ranked stamps 37th out of factors that influence their choice of store (last place: "sells hot foods"). 1963, 80% of all food stores gave stamp and 20% of all gas stations. Now it's 13 and 15%, respectively, and there a 50,000 fewer gas stations.

But what remains of Green Stamps $263 million in revenues last year— plenty good. The fact is, stamps flo better than ivory: The Trading Stan Institute of America estimates that t average "life" of a trading stamp—fro its sale to a grocer to its redemption by consumer—is about *seven years*. Ma thousands—at least 10% of all stamps are put in a drawer and never redeem at all. American Express should have so good.

Stamp companies make their profit redeeming stamps in merchandise (cash) for less than the grocer paid f them. This comes down as earnin



S&H Chairman James T. Mills (left) *and President Frederick W. Beinecke II*
American Express should have it so good.

Want to see air conditioning that uses less electricity?

Borg-Warner's York Division has developed a way to cut power usage significantly in old or new central air conditioning systems. That's Borg-Warner today. And there's more to come. In eight major markets, Borg-Warner is a company to watch.

BORG WARNER

Watch Borg-Warner

For an annual report write: Borg-Warner, Dept. 50, 200 South Michigan Avenue, Chicago, Illinois 60604

Perry's boys

You don't hear much about the Basses of Ft. Worth—least of all from the Basses themselves—but their fortune may be one of the largest in the U.S. Perry Bass, 66, father of the four Bass boys—Sid, Edward, Robert and Lee—was the favorite nephew and primary heir of legendary wildcatter Sid Richardson, who died in 1959 leaving an estate of about $1 billion.

Richardson discovered the Keystone oilfield in west Texas, one of the largest finds in history. Dead broke at the time (Perry once recalled how his uncle "borrowed" $10 bills from his mother for "walking around" money), Richardson financed the first Keystone well with a $2,000 personal loan from the late R.E. Harding, president of the Ft. Worth National Bank, now the seventh largest in Texas. It was probably the best loan Harding ever made. Richardson never forgot the favor—or those $10 loans from the Bass family.

Perry graduated from Yale in 1937 and earned his spurs working drilling rigs in his youth. From an office high in the Ft. Worth National Bank Building he has invested mainly in real estate but also in TV stations, chicken franchises, hotels and blue-chip securities. Ft. Worth businessmen were particularly impressed by his purchase of the then $25 million (sales) Pick Hotels Corp. in 1976. The figure was undisclosed but "he got it for nothing, I mean nothing," says one knowledgeable Texan. "He just picked up the mortgage." Recently Pick purchased half the Americana hotel chain from American Airlines, again for an undisclosed figure. Sales this year should hit $200 million.

Sid Bass
Along for the ride.

Perry has also given lots of money away. The Sid Richardson Foundation has donated tens of millions of dollars to colleges, museums and hospitals in his home state.

In semiretirement for several years, Perry now devotes much of his time to his duties as chairman of the Texas Parks and Wildlife Commission. Eldest son Sid is president of Bass Brothers Enterprises—which has been buying all that S&H stock.—*N.S.*

from trading-stamp operations, but doesn't include the profit from investing the float, which soared 39% on high interest rates in S&H's first half, to $5 million from $3.6 million. Add this in, and S&H's stamp earnings were virtually flat—rather than off sharply.

The float has given S&H about $200 million in cash and securities, or about $20 per share compared to the stock's recent price of 16⅜. Were it not for the Beineckes' 60% holding, of course, S&H would have long ago been picked off by a sharp-eyed raider. As it is, the company has had the luxury of picking its diversification shots at leisure, and has been doing so since 1967.

Together, diversifications last year provided 62% of revenues, but only 30% of earnings. Insurance revenues were $65 million, earnings $4.4 million, or 16% of the corporate total. But those rate-squeezed brokerage commissions contributed well over half of it, and were largely responsible for a 7% decline in S&H's insurance earnings in the first quarter. So Mills and Beinecke have been moving into specialty property and liability underwriting as fast as they can—writing policies on things like $1 billion synthetic-fuel plants and oil rigs. Th payoff has begun: Insurance earning were up 24% in the second quarter. Mil says insurance will be the top diversific tion priority from now on.

Furniture and carpets, Mills and Be necke believe, are at a watershed as mo and more of those Americans who us to buy Frisbees and Earth shoes—th World War II baby boom generation—a entering the furniture-buying age. Wa lace W. Epperson Jr., vice president Wheat, First Securities, whose monthl *Home Furnishings Compendium* is the B ble of the industry, agrees. He projec that by 1983, dollar volume of U.S. furn ture shipments will be growing at 16.5% and believes this quarter or the next wi be the bottom for furniture. Says Eppe son: "I'm more bullish than I've been i nine years." He's particularly bullish o S&H. "They've done an excellent jo reorganizing and have the most sophist cated market research of any of them, he notes. "They could easily outperfor the rest of the industry."

Mills and Beinecke, understandabl continue to talk hopefully abou stamps—short term in gas stations b cause of current gasoline surpluses, ma be even some price wars, longer term i food stores in largely untapped regio like the Northeast or Midwest. They als see some new markets among airline and fast-food chains, where growth ha slowed and tough market share battl are escalating. S&H is also pushing i centive programs for salesmen and e ecutives and looking for ways to encou age the recycling of containers. Sa Mills flatly: "The best business we' ever had is the stamp business."

That may be whistling in the dark, b even stagnant—or vanishing—stam should continue to generate that beau ful float for some time to come. So eve if furniture doesn't turn up as much Epperson predicts, even if insurance h a few more bumps, Beinecke and Mil have plenty of cash for more acquisitio and can take their time picking the That's the ride the Basses are along f With 1.5 million shares of stock the probably have no more than $20 millio tied up in S&H, recently selling at a 40 discount from book and a 20% discou from *cash*. Safer than silver, Sid Ba might say. Maybe better. ■

At the bottom?

How one analyst sees five furniture companies.

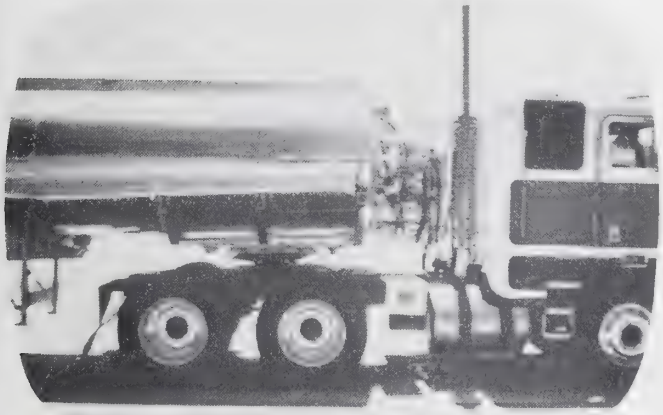
Company	Fiscal year ends	1980 price range	Recent price	Latest book	Current P/E	Earnings per share 1979	1980 estimates	1981 estimates
Bassett	Nov 30	21 –13¾	19¾	$22.12	5.7	$3.21	$2.50	$3.25
Flexsteel	June 30	13½– 8¼	11¾	14.92	7.0	2.25	1.70	2.00
Henredon	Mar 31	33¾–21¼	33¾	22.20	7.8	3.46	4.65*	4.15
Lane	Dec 31	26¼–17¾	26¼	37.62	5.4	4.62	4.40	4.75
La-Z-Boy	Apr 30	12¼– 7¼	10⅜	16.01	5.8	1.65	2.14*	2.60

*Actual figures. *Source: Wallace W. Epperson Jr., vice president at Wheat, First Securities, Inc.*

Lightweight aluminum saves energy in transportation.

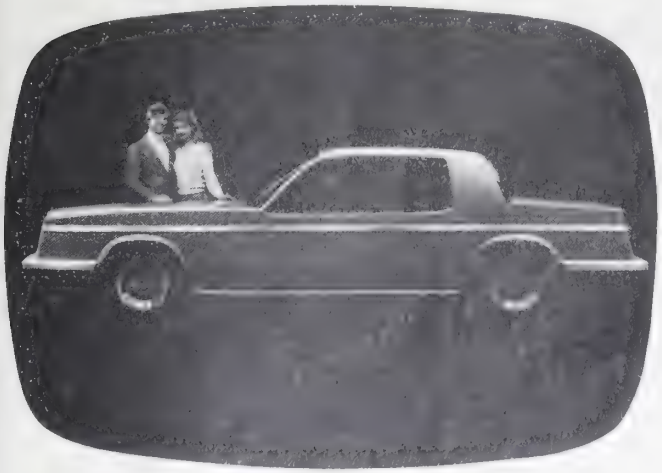
If you've ever wondered how something so big got off the ground, part of the answer is aluminum.

Aluminum's high strength and light weight helped to make modern aviation possible.



Aluminum is important to *most* forms of transportation. Because taking the weight off planes, trucks...

and now cars, saves fuel.



Aluminum in transportation.
It's a better way to get there—today.

ALCOA

We can't wait for tomorrow.
For more information write Alcoa,
446-H Alcoa Building, Pittsburgh, PA 15219.

It takes strong nerves to ride the commodity cycles in broiler chickens. Given the rewards, Federal Co. doesn't intend to chicken out.

Mr. Mac's birds

FOLLOWING THE CHICKEN CYCLE has been a dizzying roller-coaster ride the last few years for $978 million (sales) Federal Co. of Memphis, Tenn. In 1977 earnings were up 138%, to $21.7 million. The next year they were up another 51%, to $32.7 million, with 67% of it from poultry. But in 1979 Federal's $525 million broiler-processing business (second biggest in the U.S. behind coop Gold Kist) *lost* $135,000. As a result, total income collapsed to $9.7 million. In fact, without its other operations—flour, bakery supplies and the rendering of meat wastes into fats, proteins and hides—the year would have been a disaster.

You'd think these wild swings would bother Federal Chairman Lewis K. McKee enough to make him reduce his dependence on poultry (54% of revenues). After all, he certainly could afford to diversify into a less volatile end of the food industry. The company carries virtually no debt and last year threw off $34 million in cash. No way. "We like the chicken business," says the easygoing former cotton broker and banker, 59, whom employees call Mr. Mac. "Remember this about practically any commodity—what *is* normal is that there is *no* normal."

As good as his word, the only major acquisition McKee has made since he moved from the board to the presidency in 1974 (he became chairman in 1978) was commodity-related: National By-Products, a processor of meat wastes, acquired in 1978 for $30 million in stock. That year, the new division brought in $7.9 million in additional earnings on sales of $96 million. In 1979, however, lower prices for finished products slashed National's income by 42%. Federal's other main business, a bakery supplies and flour operation that is the nation's ninth-largest miller, depends on yet another commodity cycle. In 1979 profits were up 54%, to $4.2 million, but that was still $855,000 below 1977, its best year.

While these operations are hardly countercyclical—National's downturn last year, in fact, coincided with the poultry slide—Mr. Mac sleeps easy at night because his birds are something special. Over the last five years Federal's earnings per share grew an average 21.2%, ranking it third on the FORBES list of 24 diversified food companies. At 14.4%, it also was number three in return on total capital during the same period, ahead of such giants as Beatrice and General Foods.

Federal produces about 870 million pounds of broilers a year, sold as prepackaged chilled parts or whole birds under the Holly Farms brand to regional divisions of big supermarket chains (like Kroger and Safeway) in 40 states.

Since 1975 Mr. Mac has spent more than $70 million—more than half of Federal's total capital outlays—to make his broiler business one of the lowest-cost producers in a $6 billion industry. Result: The company's break-even price is now around 43 cents a pound. That's only a penny or so lower than the industry average, but it makes all the difference. Whenever the chicken cycle turns up, the company's returns are terrific. With 4,065,819 common shares outstanding, every cent tallied above 43 cents over a full year (assuming a 45% tax rate) turns into $1.18 in net income per share.

So Federal takes the downturns when they come—and they do, quite often. In June 1979 broiler prices were running around 46 cents, well below the previous year's 51-cent average for that month. A decline in hogs was predicted, so the company figured meat supplies would be tight. Faced with an off year in poultry profits anyway, it took a chance and raised production by over 10%. The rest of the industry did the same, though only 8% or so. Trouble was, the number of hogs wasn't cut back; instead, supplies increased 19%. The result was lower prices all around. With Federal's feed costs up 10% to boot, margins all but evaporated by the end of its fiscal year in May. "We killed the goose that laid the golden egg last year," admits McKee.

This year, he hasn't made the sa mistake. Federal shrank its output 5% 5.8 million head per week. Hog produ tion finally is off as well. The compa also has benefited from the heat wa that swept the South—so far, about million chickens are dead, including million brood hens. That's not ma birds to an industry processing over million a week. But their absence fr the market plus the fear that supplies m be reduced this fall—it takes eight wee to raise a chicken from egg to slaughte have driven broiler prices sky-high. T week of July 21 they averaged 58 cent pound, 15 cents above Federal's brea even. Too, fewer of its birds have be felled; around 80% of its entire broi operation is in North Carolina and Virg ia—north of the worst heat in Arkansa

Result: Even when the heat wave a the temporary high prices have subsid analysts estimate overall earnings t year will be $5 to $6 a share—far fr the $8.15 Federal netted in 1978, b more than double last year's $2.37. Inv tors are scrambling about on the bound; since Memorial Day, the sto jumped from 29 to a recent price of slightly below book value.

What Mr. Mac keeps in mind is t chicken is the cheapest fresh me around. Last year, a pound of broiler c nearly 70 cents at retail *vs.* $1.50 fo pound of pork. In 1970 they were 44 ce closer in price, so the birds are widen their edge. Since 1965 the per capita c sumption of chicken has increased 65 to 51.8 pounds, while all red meat went just 8%. In fact, McKee is so confident went ahead with the completion of a million roaster plant in Virginia right the middle of last year's downturn.

"Broilers represent at least half t company's earnings power," says "We don't want to dilute that potenti that's where our growth will come in t Eighties." Upside potential like that worth a few shocks along the way. ■

ANNOUNCING A NEW FACT OF LIFE

Hutton Life

The fact is
Life Insurance Company of California
is an innovative, national life insurance company
licensed in 49 states
with international activities conducted in some 50 countries
through its World-Wide Assurance affiliate.

The fact is
E. F. Hutton is a leading financial services organization
with more than $4 Billion in assets.

The fact is
Life of California, a wholly-owned subsidiary of E. F. Hutton,
has changed its name to E. F. Hutton Life Insurance Company.
This change reflects E. F. Hutton's strong commitment
to the life insurance and annuity business,
a business which continues to offer
excellent prospects for our companies.

Hutton Life
E. F. Hutton Life Insurance Company

11011 North Torrey Pines Road, P.O. Box 2700, La Jolla, California 92038 714-452-9060

The man who thought up "reindustrialization" says simply cutting taxes and red tape won't restore U.S. industry to its old bloom.

Why U.S. industry needs help

By Amitai Etzioni

IS THERE ANYTHING wrong with the economy that a good, business-oriented tax cut wouldn't cure? Who needs "reindustrialization"? If the government has really mucked up the U.S. economy over several decades, won't the mere return of the deflected billions, and the release from regulatory bondage, suffice to make the private sector whole again? Some—but by no means all—of Ronald Reagan's backers seem to think that this is all it would take: Loosen the bonds that bind and Adam Smith would do the rest. I do not agree. The world is not that simple. By themselves, a large tax cut and a capping of government expenditures won't suffice to turn risk-shy executives into entrepreneurs, coddled workers into a committed lot and obsolescent plant equipment into postindustrial, high-technology wonders. American society requires at least a decade of corrective government programs to evolve, promote and, yes, ease the pain of the recovery.

To think this issue through it might help to look at some concrete situations. Take energy, for example. After years of keeping the price of oil artificially low (and thus discriminating against the more market-sensitive resources, such as coal), is it enough to decontrol the price of oil? Or do we need to attend to all the benighted souls who invested heavily in oil burners, a) as a matter of fairness (after all, public policy caused their loss) and b) out of public interest (to accelerate the transition to the use of coal)? For instance, should we provide utilities a onetime $10 billion weaning grant, to convert to coal?

Similarly, if public financing tilted our whole research and development enterprise (one of our most nationalized industries, about 50% federally funded) toward more "basic" and less applied and developmental work than that of most industrial nations, should we not provide some of our basic researchers with "adjustment assistance," say for two years of applied training, if the government will continue to scale down its intervention in the world of R&D?

One more exercise in the transition to a low-profile government future: Can we simply, suddenly deregulate the savin and loans associations, after they ha stuffed themselves with low-return pap in the age of government control of wh they can pay their savers? Or must w help them to weather the transition, pe haps by providing them with some t benefits?

Beyond questions of equity (*i.e.*, doi right by those who responded to our pr vious public priorities) and efficiency (a justment to the brave new world of le government) lies a deeper question: C we really just release resources to t private sector, or need we guide them bit, choosing the areas where the man should fall?

Who is this "we" I am talking abou Is not the whole point of reducing t government to let the market decid *without* collective guidance? My answ is that, while we shou swear off any kind of n tional planning or ec nomic controls, we need to provide public agreed upon incentives some parts of the priva sector versus others.

It is easy to make t case for some such tilti in favor of industries re evant to national securit Few would suggest th the U.S. should rely on P namanian ships to tran port the Marines to a co frontation in the Persia Gulf, or that we shou rent transport planes fro France to ferry airbor troops to Korea. It is sim larly fallacious to sugge that, because we are in a age of missiles and ele tronic warfare, the natio no longer requires its ow steelmaking capacity f tanks, half-tracks a warships; in case of wa we cannot depend excl sively on imported stee The same holds for deve oping domestic sources of energy.

Another case for some public guidan might be found in the need to correct t imbalance between consumption and i vestment. Often the argument is ma that our lack of capital and our slowi innovative capacity are due to excessi public consumption, welfarism, bureau cratic waste and regulatory drag. Howe er, a detailed analysis of the costs e tailed in shoring up our productive capa ity suggests that, even if social benefi were cut back considerably and was reduced as far as is practical, the econ my might well still require, for a trans tional period, government measures t rein in private consumption. This wou help to free resources for investment i

nsportation, discovery of oil and de-
lopment of alternate energy sources;
placement of obsolete capital goods
d adapting existing ones to more ener-
-efficient technology; turning 3% of
NP to R&D; and fixing up our schools
turn out reasonably qualified gradu-
es—say, comparable to those of 1950.

You can't achieve all this simply by
tting taxes and red tape. Congress will
o have to enact specific measures to
courage corporations to pay out less in
vidends and spend more on plant and
uipment; encourage individuals to bor-
w less and save more; encourage
ungsters to go into the coal mines
her than to college. In short, rebuild-
g America's industrial capacity cannot
achieved by a government policy that
merely passive. There are too many
cades of neglect and misdirection to
mpensate for.

How can this be achieved in a society
e ours? First, we must evolve a mea-
re of consensus about our direction
rough a grand dialog in the media, with
mmunity leaders and national policy-
kers, of the kind which historically
sages such a change of national direc-
n. Aside from providing a basis for
blic policy, such a consensus directly
ects investment plans, career choices,
. For example, more young people
uld turn to energy engineering, fewer
comparative literature—not because
the latter is less valuable, but because there would be fewer jobs in this line.

Second, we need to adjust our massive public-incentive systems, which will continue to exist even if government is scaled down by 30% in three years and limited to 20% or less of the GNP. For instance, we made investment in residential homes (a consumer product) much more attractive than investment in factories. A person who held an average NYSE stock (*i.e.*, owned a piece of an American corporation) from 1969-79 saw his investment decrease in value by 23%; in contrast, the average residential home appreciated 155% in the same period. If he sold both, he would not pay capital gains on the first $100,000 gained in the value of the house (if 55 or older, on one sale per lifetime), but all of the gains on the stock are taxable.

Similarly, we provide loan guarantees to failing companies and municipalities, but not to major renovations of corporations that need a helping hand to restore their competitive status. Wouldn't it have been better to help Chrysler modernize and innovate while it was still solvent rather than waiting to bail it out when it was almost too late? Need we wait for Chryslers to develop in the shipping industry? Does it make sense for the U.S. government to underwrite interest-free (for their study period) loans to students, but not to apprentice coal miners? The government encourages banks to risk billions to bail out the Hunt brothers, but puts pressure on the banks not to invest in companies most in need of venture capital, those with a high debt/equity ratio.

All this does not suggest that the U.S. should introduce a central national bank that will allot credit, or set credit terms, according to some set of priorities formulated by a bunch of government officials, or a government-business labor committee. However, one must recognize that there are now in place a large number of measures that affect credit terms in favor of consumer products, against producer goods. As the market is freed from these past controls, it might be necessary, for a transitional period at least, to tilt in favor of productive capacity.

Tax cuts and elimination of red tape are both necessary, but alone they will not be enough. In addition, government policy will have to be consciously directed toward encouraging investment at the expense of public and private consumption. This is what reindustrialization is all about. ■

A former White House senior adviser and George Washington University professor, Dr. Etzioni coined the term "reindustrialization" to describe the process of restoring U.S. industry to competitive vigor

GETTY OIL COMPANY

through a wholly owned subsidiary
has acquired 95% of the common stock of

ERC CORPORATION

We acted as financial advisor to Getty Oil Company in this transaction and as Dealer Manager for its tender offer.

BLYTH EASTMAN PAINE WEBBER
INCORPORATED

July 18, 1980

Twice since 1968 the government has taken Arcata's redwoods. This seeming deathblow led to the company's rejuvenation.

Ill wind? Or windfall?

By William Harris

BEHIND THE IMPOSING redwood doors lies an elegant foyer, with a majestic cathedral ceiling, cross-hatched by exposed redwood beams. No, this is not an exclusive Menlo Park, Calif. country club but rather an empire built literally of redwoods. It's the headquarters of $580 million (sales) Arcata, the redwood lumber and printing company. "I'm pure overhead," jokes J. Frank Leach, Arcata's 58-year-old president and CEO, between handfuls of Planter's mixed nuts and swallows of Tab. Leach, who looks like a young Wilbur Mills and earned $565,000 last year (counting stock option gains), can afford a little flip modesty. For fiscal 1980, ended June 30, Leach expects despite the deepening recession to ink his seventh straight year of record profits, topping last year's $3.65 per share.

Twice since 1968, Uncle Sam has grabbed chunks of Arcata's redwood timberlands—22,000 acres total—for additions to California's Redwood National Park. So far Arcata has received about $200 million in cash and government timberland, or the equivalent of $9,000 an acre, for its redwoods. There's more money down the pike, although no one knows how much or precisely when a settlement will be reached. But some analysts estimate up to $100 million more. Leach is so determined to get a fair market value for the redwoods taken in 1978 that he has an independent company working in the national park, counting Arcata's once-owned trees and estimating the lost timber volume.

The government's final payment for the 1978 tree-take might be at least five years away. In the meantime Leach can relax and plan. He has already invested the first $200 million—the final 1968 price and partial settlement of the 1978 take. He has invested carefully and wisely: in timber, printing and packaging. Best of all, Leach explains happily, he has reinvested in more redwoods

Redwoods, he notes, are scarce, gr ing only in a 30-mile swath cutt through northern California and i southern Oregon. (These are the luml producing redwoods, not the tower 3,000-year-old, drive-through-the-tru type Sequoias.) Pacific Coast redwo are handsome building materials—u for siding, paneling, outdoor furniti hot tubs—and in great demand beca they don't rot and are fire- and bug-re tant. No wonder redwood usually ret for twice what other lumber fetches. Arcata, redwoods, accounting for c 7% of 1979's sales, contributed 40% the company's $50.5 million pretax n

For its first 60 years sleepy Arca primary business was tending redwo Then in 1968, right after the governm announced it would take half of Arca redwoods, Leach's predecessor acce ated the company's diversification p gram. Arcata wandered into fields l information transfer and telecommu cations, which sounded great in the go years, but as often happens with s diversifications, Arcata fell harder tha 200-foot redwood.

Arriving in 1972 from Bunker Ra Corp., Leach chopped away ten d sions, most of them moneylosing, reta ing only a commercial printing operat and the redwoods. But it wasn't all pr ing. He set out to replenish Arcata's r wood timberland. First he bought sn parcels, but in July 1979 acquired priv ly owned Simonson Lumber Co. for million. With Simonson came 29, acres, half redwood and half Douglas two logging mills, a power plant an nursery. The deal not only restored A ta's redwood might, but potentially hanced Arcata's lumber profits. Inst of merely cutting fir trees and sell logs, Arcata now mills them into lumb

Synergy is more than a slogan at cata these days. Witness the printing eration, which, running almost at ca ity, produced about $31 million pre profit, over half of last year's total. cata doesn't supply most of the paper which it prints 275 million paperba 100 million other hard- and soft-co books and over a billion magazines an ally. Publishers buy the paper. But a press runs, Arcata repulps the uncoa scraps for use in Arcata's third operati Keyes Fibre Co.

Arcata bought Keyes (rhymes w pies) in late 1978 with some of the g ernment booty. Keyes makes over paper and Styrofoam disposable pr ucts—from egg cartons to paper plate fast-food containers that keep your Macs and Whoppers warm.

Leach expects Keyes to speed Arca growth, and with good logic: the creased use of paper plates among in tutional caterers in schools and prisc the ever-growing microwave-oven m

Arcata's President and CEO J. Frank Leach

For redwoods taken by the government, a golden harvest in prospect.

American Electric Power gets a White Hat Award

The American Electric Power Coal Terminal at Metropolis has been given the American Lung Association's White Hat Award for 1980. American Electric manager Bill Hayes was presented the award at the association's Southern Illinois region annual meeting.

The White Hat Award recognizes businesses, organizations or individuals who make a significant contribution to preserving Illinois air quality, according to ALA regional director Doreine Carson.

American Electric was recognized for installing a water-spray system to control coal dust when transferring coal from rail to barge.

Southern Illinoisan,
June 29, 1980

We're American Electric Power. We're also Appalachian Power, Columbus and Southern Ohio Electric, Indiana & Michigan Electric, Kentucky Power, Kingsport Power, Michigan Power, Ohio Power, and Wheeling Electric.

American Electric Power

AEP

ket. Aluminum food packaging deflects microwaves, paper doesn't.

Leach admits Keyes requires aggressive marketing and product innovations, areas new to him. He is used to the steady, long-term demands of watching redwood trees grow into profits, of signing multiyear printing contracts with the likes of *Reader's Digest* or the *National Enquirer*. But Keyes has new growth potential; printing and redwoods don't.

What to do with those future government millions? Leach won't say. But he's got to be nimble. The prospect of all that cash lying around makes already healthy Arcata look like an even juicier takeover target. The directors and officers control only 16% of Arcata's stock. Long-term debt is 75% of book value. The stock price, alas, does not reflect the progress Leach has made. At its recent price Arcata sold for about 7 times current earnings and a discount from book value. With only 6.9 million shares outstanding, a would-be acquisitor could tende for the company at a nice premium ove market and recoup close to half the pric from the next government payment.

Leach says Arcata isn't for sale but, i a sense, the stockholders can't lose. E ther the market recognizes the underly ing values, or some acquisitor will. N wonder the stock has been strong lately though Leach warns that the buildin slump resulted in a soft fourth quarte and a weak start for fiscal 1981. ■

All that money from selling his half of Oxirane is burning a hole in Ralph Landau's pocket.

Oh, how he hated to sell!

By Christine Miles

WHAT DO YOU DO WITH $270 million in cash at the age of 64? That's what Dr. Ralph Landau is asking himself these days. In June, as chief executive and controlling stockholder (80% of the voting stock) of New York-headquartered Halcon International, he received a check for that amount from Atlantic Richfield Co. The check was for Halcon's half-interest in their joint venture, Oxirane, a $1 billion-a-year producer of propylene oxide and propylene glycol—key building-block chemicals for the lucrative foams and plastics business.

Proud and reclusive, Landau has never talked to the press and doesn't plan to start now, but associates say he hated to sell Oxirane. "Oxirane was Landau's pride and joy," says a friend. Oxirane was the manufacturing arm of Halcon, whose laboratories have produced no less than 9 of the 31 most important process breakthroughs in the chemical industry since the Fifties—more than Du Pont and Celanese combined can claim. But after a 14-year partnership at Oxirane, Halcon and ARCO came to a parting of the ways over a huge new ethylene glycol plant in Channelview, Tex. Designed around a completely new process with twice the capacity of most existing

Halcon International's Landau
Good food and hard work.

plants, the Channelview operation went on stream in 1978. But it couldn't lick corrosion problems that made it impossible to operate consistently at full capacity. ARCO lost patience, shut down the troublesome plant and reserved for a $70 million writedown. To salvage its investment it offered to buy Halcon out and assume certain liabilities at the plant. Landau had little choice but to accept.

What will Landau do with that $270 million check? At the company's Par Avenue headquarters the hallway door are protected by push-button combina tion locks, and little news leaks out. Ye rumors are flying thick and fast: Halco will go public and buy a specialty chemi cal company of equivalent size, like $96 million (sales) Witco, for example. Afte all, Witco's nearly 9 million outstandin shares are presently trading around 26 and perhaps the Wishnick family may b interested in an offer a bit above tha $234 million market value. Or Halco will sell its costly research laboratorie and live off the licensing income from it 1,400 patents. Or Halcon will look fo another partner so it can buy back tha Channelview plant from ARCO.

But one thing no one is suggesting i that Ralph Landau will retire and go fish ing; he's not the retiring sort. He's a avid art collector, a gourmet who onc refused to visit Russia because he'd hear there were no good restaurants there an a philanthropist who gives generously t his alma maters, the University of Penn sylvania and MIT. But everyone wh knows him agrees that for Landau, distinguished chemical engineer and sci entist, his real interest is his work Channelview is Halcon's only significan failure since the company's founding i 1946. He won't quit on a losing note.

He began his career with four years a what is now Pullman Kellogg befor striking out on his own in 1946. At th age of 29 he and a partner formed Scien tific Design, a research and developmen company that concentrated on petro chemical technology. Landau's inven tions led to improved feedstocks fo polystyrene cups, foam rubber, specialt chemicals and antifreeze, among a hos of end products. Lucrative as licensin that technology was, Landau wanted piece of the real action: the manufactur ing profits. In 1962, when he discovere a better way to produce propylene oxide he got his chance. Renaming Scientifi Design Halcon, he persuaded ARCO i 1966 to back his technology with thei capital in a 50-50 manufacturing deal Oxirane was born. Now, Halcon ca count only on revenues from engineerin and process design. But knowing Lan dau, probably not for long. ■

We'd like to introduce you to North America's seventh largest bank.

When you're searching for a commercial loan, why not choose a bank that can offer you a sizable amount easily. And fast.

Canadian Imperial Bank of Commerce is just that kind of bank. With more than $50 billion in assets. $36 billion out on loan. And the expertise that comes from doing business in the United States for more than a century.

Our headquarters are in Toronto, but you'll find us well represented in the United States. We have offices in New York, Chicago, Atlanta, Dallas, Los Angeles, San Francisco, Portland and Seattle. What's more, we have a complete international network in place.

Big. Knowledgeable. Convenient. That's Canadian Imperial Bank of Commerce. Don't we belong on your short list?

CANADIAN IMPERIAL
BANK OF COMMERCE

North America's seventh largest bank belongs on your short list.

Head Office: Commerce Court, Toronto, M5L 1A2, Canada • Offices in: New York • Chicago • Atlanta • Dallas • Los Angeles • San Francisco • Portland • Seattle

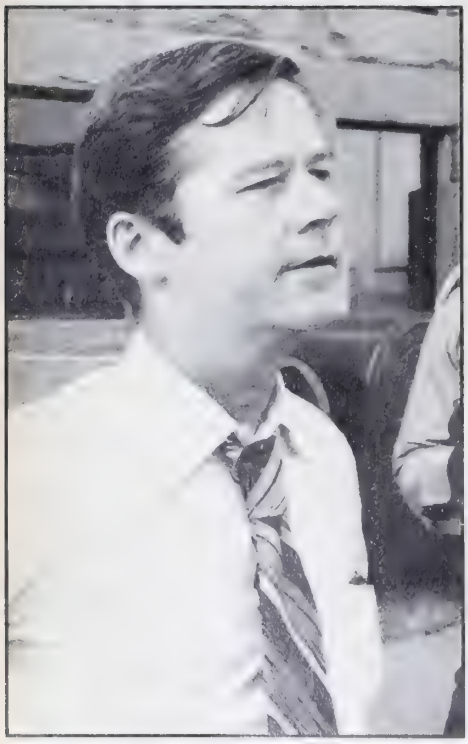
It may sound like a second-rate soap opera with a violent twist to th script, but it's the real life story of a $2 billion Texas oil empire.

The family feud at Kendavis Industries

By Tedd A. Cohen

On June 6, 1980 a memo went out to the 80-odd subsidiaries of Kendavis Industries International, Inc. from Chairman Kenneth W. Davis Jr. in Ft. Worth, Tex. It said, in part: "If approached by someone you know or suspect to be a Forbes representative, do not cooperate. Do not admit to, or make denial of, any question asked about you or your company. Do not volunteer to any informal off-the-record conversations. Do not review any article or respond to any comments to verify the accuracy or lack of it for any proposed statements. . . ."

In short, don't even give your name, rank and serial number. Why is Kendavis and its boss so uptight about the press?



Chairman Kenneth W. Davis Jr.
A recluse a la Howard Hughes.

Why is this highly successful $2 billion-a-year privately owned corporation so publicity-shy? Partly because the habit of secrecy is deeply ingrained. Partly because the owning family has a fair amount to hide.

A recluse who has his meals slipped into his office Howard Hughes-style, Chairman Davis has a brother, T. (for Thomas) Cullen Davis, who enjoys the dubious distinction of being the richest man ever tried for murder in America. A third brother, William S. Davis, was thrown out of the company by Ken Jr. and Cullen years ago only to file suit—later settled out of court—charging that they refused to pay him anything for his 30% holdings in the company. But a $2 billion company that's been in business over 50 years is a hard animal to hide.

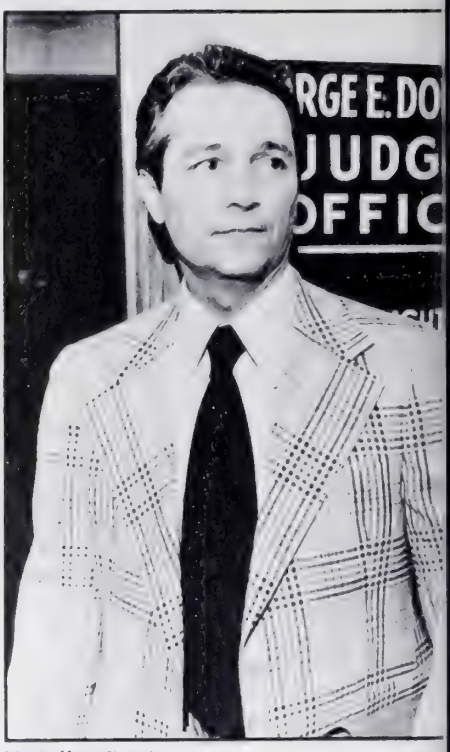
KII was founded in 1929 when Ken Sr., an oilfield worker, plunked down $5,000 to buy Mid-Continent Supply Co., then a floundering oilfield supply company in Ft. Worth but now the heart of the Davis empire. With oil being discovered all around him, Davis followed the drillers wherever they went, opening oilfield "hardware stores" that turned a profit even if the drillers went bust.

He bought small drilling companies too, ones that had a good idea where oil leases were available, and financed their efforts. Davis eventually wound up with his own oil and gas exploration and production company, which at one time had more than 80 million barrels of oil reserves.

In the late 1940s KII caused a rumpus in its industry by buying Loffland Brothers of Tulsa, then regarded as the world's best contract driller. Loffland was at the time buying most of its supplies from National Supply, now a division of Armco; after the purchase it switched its business to Mid-Continent. Buying somebody's best customer away wasn't considered cricket. "It was kind of crossing the line," recalls one competitor. "It's not so important today, but then it was very important that drillers and su pliers remained independent." Ma drillers took their business elsewhe Some of Loffland's best hands quit, a gradually the driller went downhill.

Davis couldn't have cared less. He ju plowed ahead with his hardware bu ness, built around flexibility and servi "Around the clock, around the worl the old man used to say. His employe were on call 7 days a week, 24 hours day. The largest of the 35 stores w stocked with over 5,000 items worth u ward of about $1 million. Whether the well lasted 5 months or 50 years, t stores would stay as long as they we needed, supplying oil rig crews with e erything from a drill pump to a case beer, mostly on credit.

Soon Davis' oil service empi



T. Cullen Davis
Acquitted of murder.

America's #1 News Magazine
#1 in circulation
#1 in ad revenue
#1 in newsstand sales

TIME

The most colorful coverage of the week

stretched in all directions as drillers took him along from West Texas to Kuwait, Canada to Venezuela. Davis also picked up a Cummins Engine distributorship, selling engines first to the oilfield and then, after World War II, to truckers. Most of his oil and gas holdings were placed under another drilling company called Great Western. In 1945 he started Stratoflex, a maker of hoses used, for example, to contain the hydraulic fluid that controls an airplane's rudders and flaps.

Except for one fling in the public markets with Stratoflex, he kept his company and his affairs private and ruled it like a medieval monarch. His picture hung in every supply store and office around the world, and he tolerated no dissent. "Stinky" they called him, but never to his face. "He wanted his questions answered in one of three ways: yes, no or I don't know," says a longtime associate. Once back in the early 1960s he dispatched an underling to inspect a new oil play in Oklahoma and report back on whether Mid-Continent should open a store there. "We're watching it," the man said. "Watching! Watching!" Stinky bellowed. He caught a plane the next day and opened the store personally in an abandoned jailhouse.

Stinky was smarter than a lot of big-time bankers. One time at a meeting with the Venezuelan ambassador to work out a deal arranged by the State Department, Davis slammed his fist down on a table and demanded $3 million up front. "Mr. Davis," said the man from State, "don't you realize you're dealing with the government of Venezuela?" Replied Davis: "You're damn right I do! That's why I want the $3 million up front!" The ambassador anted up.

When he died in 1968, "Stinky" Davis left his $300 million estate in equal parts to his three sons. How has the empire done since his death 12 years ago? Seemingly splendidly. With oil drilling booming, earnings have climbed from about $5 million to an estimated $50 million, revenues from over $100 million to $2 billion. But some who know its inner workings say the empire under the Davis sons is living on borrowed time. "They've done their damnedest to wreck the company," says an observer, clearly overstating the case.

"As an oilfield supply company they're nowhere near the dynamic, aggressive force they once were," says one competitor. "The supply business was Stinky's first love, the heart of his empire, and it had that stamp of entrepreneurship on it. The boys? To them it's just one of many investments and they've lost that drive."

Loffland Brothers still claims to be the largest contract driller in the world today, with between 100 and 200 rigs, mostly onshore. But the real number is probably close to 86. While that still puts them up among the big boys like W.R. Grace, which has 105, there's some question as to how much of that equipment is obsolete. "They're not considered good competition," says another. "Their operations are spotty. Some places they do a lousy job, others pretty good. They have excessive turnover—at the tool-pusher level, the drillers. That will kill you."

KII's problems don't stop there. The sons—namely Ken Jr. and Cullen—are known to be difficult people to work for. "They may pay their people well. They may give them a good title. But, boy, they treat them like sons of bitches," says a former customer.

All three sons went to Texas A&M in the late 1940s and early 1950s, then known as the "West Point on the Brazos" because it mixed military training with engineering. In the summers they were given jobs in different parts of the company.

Patriarch Kenneth W. (Stinky) Davis Sr.
He ruled like a medieval monarch.

When old Ken died, each son was left 30% of every Kendavis company and a piece of the business to run. Ken Jr., the oldest, got Great Western and Loffland; Cullen got Cummins and Stratoflex. Bill was the youngest, but the one the old man felt had the best business head. He was given Mid-Continent. But, sources say, Ken Jr. was jealous of Bill. He wanted the jewel of the Kendavis empire to run. Competitors got wind of the dissension and cracks in the empire began to appear.

Cullen had problems of another kind. A playboy who had been kept in line by his father, he soon began living it up. The very day his father died, he married for the second time, and then began plans for a 20-room mansion that would co about $6 million to build and furnish. H got involved in several business ventur on the side, a number of which seem to go broke.

Bill Davis, the father's favorite, feud with Ken Jr. and resented Cullen's hi living when it began to affect the bus ness. The showdown came at seve board meetings in August 1973 wh Ken Jr. and Cullen fired Bill as head Mid-Continent and voted him out of t company. Ken Jr. took a razor blade to photograph of the three hanging in o of the KII offices, cut out Bill's figu and mailed it to him.

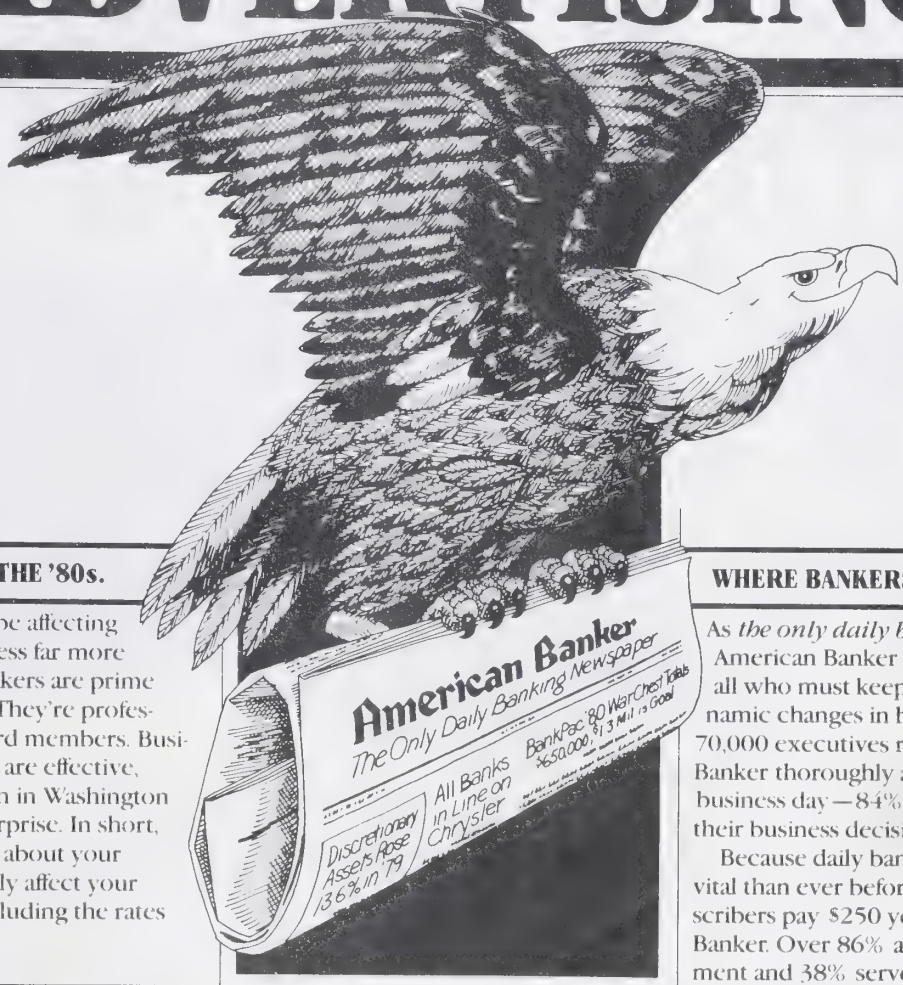
Bill Davis told FORBES that the follo ing year he filed suit against his brothe because they refused to pay him a ce for his share of KII. He also charged th they engaged in a "rapid, reckless pr gram of acquisitions" that consum KII's cash and ran up corporate debts " excess of $150 million." As a result, contended, he never received dividend But Bill settled out of court in 1976 for a estimated $100 million, including a on third interest in Great Western that currently runs as Davoil Inc., a F Worth-headquartered oil and gas explor tion and production company.

In the summer of 1974 Cullen separa ed from his second wife, Priscilla. Tw years later he was arrested and accused murdering his wife's lover and her ste daughter and trying to murder Priscil and a friend. Defended by Richa "Racehorse" Haynes, he was acquitte by an Amarillo, Tex. jury in November 1977. Cullen was arrested nine month later, this time accused of hiring a h man to kill the judge in his divorce tria but early last year another jury dea locked—8 to 4—and Cullen was fre again. Late last year he was acquitte According to Texas author Gary Car wright's book, *Blood Will Tell*, the allege hit man told the FBI he had a list of people Cullen wanted to get. One was h brother, Bill Davis. Last year Bill Dav told several friends someone was tryin to kill him.

Cullen, 46, still works at KII, but n one there seems to know what he doe Word around the company is that Ken J is trying to wrest the rest of the famil empire away from him. The fact is, Ke Jr., 54, now heads the Kendavis kingdo as his father did before him. Whateve his quirks, he's described as "all bus ness." Short and bespectacled, he ha open heart surgery a few years ago and rarely seen around Tulsa, his home.

So far the boom in U.S. oil drilling ha covered up a number of problems at Ke davis Industries. But for how long? " the old man were here today," says on of his old friends, "he'd have kicked as None of those boys would *ever* have had chance to misbehave." Any wonder Ke Davis Jr. wants to hide from the press? ■

EXTRA INTEREST ADVERTISING



A KEY MARKET IN THE '80s.

Today's banker may be affecting your corporate success far more than you realize. Bankers are prime lenders to business. They're professional investors. Board members. Business operators. They are effective, respected spokesmen in Washington for competitive enterprise. In short, bankers' judgements about your business can definitely affect your company's profit, including the rates you pay for loans.

THE $220 BILLION MARKET FOR STOCK.

As professional investors, trust bankers manage over $220 billion in common stock, far more than any other investor group. In addition, bankers are often board members of top corporations and foundations. This spreads their financial opinions and expertise even further. Corporations can benefit greatly by advertising directly to this influential market.

BUYER AND ADVISOR.

As operators of a vigorous, complex business, bankers buy on a huge scale. For example, banks spend $17 billion annually for office equipment, computers, supplies and services. As advisors to business, bankers recommend products and services, help acquire plant sites and arrange mergers.

WHERE BANKERS CONCENTRATE.

As *the only daily banking newspaper,* American Banker is "must reading" for all who must keep pace with the dynamic changes in banking today. Over 70,000 executives read American Banker thoroughly and intently each business day—84% in the office where their business decisions are made.

Because daily banking news is more vital than ever before, individual subscribers pay $250 yearly for American Banker. Over 86% are in upper management and 38% serve on outside boards. No other banking journal duplicates this prime market.

American Banker has many special editions covering the year's important banking events. To help plan your advertising, call Bill Cooley for a free calendar of these special editions at American Banker (212) 563-1900, ext. 833, or write us at 525 West 42nd Street, New York, NY 10036.

Subscriber data 1979 Erdos and Morgan Comparable Profile Measurement

American Banker

WHERE YOUR ADVERTISING EARNS EXTRA INTEREST.

Is it possible to blend lipsticks and anticancer drugs successfully Revlon's Michel Bergerac seems to be doing just that.

The other side of Revlon

By Larry Marion

ALMOST ANY OTHER COMPANY would trumpet the accomplishment, but for reasons best known to Board Chairman Michel C. Bergerac, giant Revlon, Inc. has stubbornly downplayed the fact that it has built—and is still building—one of the nation's top health-care businesses alongside its still-thriving cosmetics business. It's a strange mixture—the mystique of chic and the arcane world of the scientific laboratory. Revlon, however, seems to be managing the peculiar mixture and managing it extremely well.

It has quietly built up annual sales of $1 billion worth of pharmaceuticals and a wide variety of medical paraphernalia, from blood analyzers to contact lenses. Revlon may be a bigger and more profitable health-care company this year than G.D. Searle and about equal to Richardson-Merrell. All the while it has maintained its traditional pretax earnings rate of about 18%.

The National Cancer Institute and a major research hospital have signed $3 million in orders for interferon, the much-touted but unproven anticancer agent. In bidding for one of the contracts, Revlon was victorious over several leading pharmaceutical houses, Abbott Laboratories and Searle among them, and now will be one of the world's largest producers of the important experimental drug, a protein squeezed out of blood.

Senior Revlon executives refuse to talk to FORBES about its thriving Health Care Group, and a recent security analyst report failed to include Revlon among leading interferon producers.

There's no cause for such reticence. The interferon orders are more than a scientific milestone for Revlon. They demonstrate the soundness of Bergerac's efforts to shape independent health-related companies into a combination where the total is greater than the sum of its parts: Several different acquisitions were crucial to the interferon victory, a classic case of successful synergism.

The scientific and management triumph began with Revlon founder Charles Revson's acquisition of the U.S. Vitamin Co. in 1966. Its line of drugs became the cornerstone of a group that now includes antacid TUMS, laxatives, clinical laboratories and antiacne preparations (FORBES, *June 26, 1978*). In May it acquired equipment-maker Technicon Corp. for at least $300 million in stock and cash.

Bergerac has been spending heavily on health-care research. "Since 1975, expenditures have more than tripled," he recently noted. Already Revlon is "involved with" the other biggest breakthrough in pharmaceutical research, says R&D boss Charles Smith.

Among the dozen companies acquired by Revson and Bergerac, four will participate in the interferon project—one supplies the raw material (once called Plasma Alliance and Blood Alliance), another processes it (Armour Pharmaceuticals), a third produces the final product (Meloy Laboratories), and a part of the fourth (USV) is now "a major research group with experience in cancer," says Dr. Charles G. Smith, vice president for research and development.

Bergerac is fond of reassuring stockholders that Revlon is still predominantly a cosmetics company. Yet the more rapid growth of health care threatens to upset the balance. Perhaps this explains Bergerac's reticence.

Last year he told stockholders, "Growth has been achieved while maintaining the basic balance of the company"—a 2-to-1 split between beauty and health-care revenues, which is "important to the quality and stability of earnings." But that 1978 ratio, based cosmetics sales of $945 million co pared to $507 million for health care, as out of date as Billy Martin's resume

Consolidated sales of the Health Ca Group, including the most recent acq sitions, will result in a 55-to-45 ratio 1980, based on analysts' estimates $1.25 billion in cosmetics sales and mo than $1 billion for health care. Given t 2%-to-5% higher growth rates health-related products as opposed cosmetics, Revlon could soon become major health-care company with a lar cosmetics sideline.

Bergerac has been spending heavily health-care research. "Since 1975, [search] expenditures have more than t pled," he recently noted. Already Revl is "involved with" the other bigge breakthrough in pharmaceutical search, gene manipulation, says R& boss Smith.

The various parts of the Health Ca Group share a trait with the overall co pany—a growing dependence on forei sales to show impressive revenue gai Last year international sales of $546 m lion were almost a third of the compan total revenues of $1.7 billion, and growi at a 30% rate compared with 1978, wh domestic sales grew by only 11%.

"They are established in most of t world," explains Donald Brucker, cha man and cofounder of Continuo Curve, the soft-contact-lens firm th will soon become the newest Berger acquisition. Revlon already owns a lea ing hard-lens and optical-supplies co pany, Barnes-Hind.

At the six-month mark, Revlon's dilu ed earnings per share were $2.42, 13.6% from a year ago. Brokers estima that full year earnings will hit $4.95 p share. At only about 10 times probab 1980 earnings, Revlon sells below t average multiple of 12 for leading healt care companies. Perhaps Chairman Be gerac should stop hiding this particul light under a bushel. ■

IN CAMBODIA AND THE BORDER CAMPS OF THAILAND, THE DOLLAR IS STILL STRONG.

STRONG ENOUGH TO HELP MEND A BROKEN PEOPLE. TO HELP CHILDREN SUFFERING FROM MALNUTRITION AND DISEASE. TO STRENGTHEN MEN AND WOMEN, VICTIMS OF WAR AND FAMINE. THE DOLLAR HAS THE POWER TO CHANGE SO MANY THINGS.

ONE DOLLAR WILL BUY 6 POUNDS OF RICE. ENOUGH FOR 13 PEOPLE FOR ONE DAY.

TEN DOLLARS WILL STOCK SIX VILLAGE FISH PONDS. $500 WILL BUY 10 DEEP WELL PUMPS FOR VILLAGE WATER SUPPLIES; $12,500 WILL BUY A TRUCK TO RESTORE THE TRANSPORTATION SYSTEM; $100,000 WILL STOCK 140 DISPENSARIES AND BRING A HEALTH CARE SYSTEM BACK TO LIFE.

THE AMERICAN DOLLAR WILL HELP REBUILD A PEOPLE WHO WERE ONCE SELF-RELIANT.

RIGHT NOW A NATIONWIDE EFFORT IS UNDERWAY TO HELP KEEP CAMBODIA FROM DYING. AN EFFORT THAT INCLUDES LABOR, CHURCH AND SERVICE ORGANIZATIONS, AND THE LEADERS OF CORPORATE AMERICA. PLEASE JOIN THEM TODAY. SEND YOUR TAX DEDUCTIBLE DONATION TO THE AGENCY OF YOUR CHOICE AND MAIL TO THE NATIONAL CAMBODIA CRISIS COMMITTEE.

YOUR COMPANY'S DOLLAR HAS NEVER GONE SO FAR OR BEEN WORTH SO MUCH.

IN CAMBODIA YOUR DOLLAR IS PRICELESS.

THE NATIONAL CAMBODIA CRISIS COMMITTEE, P.O. BOX 242, WASHINGTON, DC 20044

MAJOR PARTICIPATING AGENCIES: AMERICAN FRIENDS SERVICE COMMITTEE/QUAKERS · AMERICAN JEWISH JOINT DISTRIBUTION COMMITTEE · AMERICAN RED CROSS · AMERICAN REFUGEE COMMITTEE · ASSEMBLIES OF GOD · CARE · CATHOLIC RELIEF SERVICES · CHURCH WORLD SERVICE · FOOD FOR THE HUNGRY INTERNATIONAL · INTERNATIONAL RESCUE COMMITTEE · LUTHERAN WORLD RELIEF · MENNONITE CENTRAL COMMITTEE · OPERATION CALIFORNIA · OXFAM AMERICA · THE SALVATION ARMY · SAVE THE CHILDREN FEDERATION · SEVENTH DAY ADVENTIST WORLD SERVICE · U.S. COMMITTEE FOR UNICEF · WORLD VISION INTERNATIONAL · YMCA INTERNATIONAL DIVISION.

On Nov. 30, 1964, we invented cattle futures.

The rest is history.

Ask any financial journalist for a one-word description of the Chicago Mercantile Exchange. The word you are most likely to hear is "innovative."

It is fair to say that since that day in 1964, the futures industry has never been the same. The widely-held belief that a futures market was applicable only to "storable" commodities, such as grains, metals and frozen pork bellies, was forever shattered.

Innovation followed innovation. Having proved that a live animal contract worked, the CME introduced a second one in 1966, live hogs, and a third in 1971, feeder cattle.

But perhaps the greatest innovation of them all occurred in 1972. That was the year in which the CME spawned its offshoot the International Monetary Market—an exchange devoted exclusively to trading then unheard-of financial instruments. Thus the futures industry was expanded once again—this time the quantum leap was from physical commodities to documents whose values fluctuate daily and often dramatically. Such documents include money itself, Swiss Francs and Japanese Yen, for example, and interest bearing instruments such as T-Bills.

What's ahead for the Chicago Mercantile Exchange? We have not forgotten our roots in agriculture. We recently introduced a broiler chicken contract that has become the favorite of the industry in just a few short months. Its unique certificate delivery system enormously simplifies the use of futures for producers and end users. In the financial arena, the IMM will be expanding its scope with contracts in Eurodollar Time Deposits, Domestic CD's and the Standard & Poor's 500 Stock Index.

The Chicago Mercantile Exchange has set the pace for futures trading in the '80s. If you're still sitting on the sidelines, there is no better time than now to learn as much as you can. We'll be happy to send you a packet of informative literature if you'll write The Chicago Mercantile Exchange, 444 West Jackson Boulevard, Chicago, Illinois, 60606, or call, toll-free, 800-228-2027, in Nebraska 402-571-4900.

CHICAGO MERCANTILE EXCHANGE®

International Monetary Market® Associate Mercantile Market®

he inflation rate is going to be lower than the unemployment rate. A rolonged slack in men and machines will dominate pricing.

Bad news with a silver lining

BOTTOMING OUT. Beware those seductive words; they seem to tell us that we can relax now; the recesion is over. It isn't. Sure, the rate of cline in the gross national product is ss in the third quarter than in the sec-d and it will even stop declining in the urth quarter. A good thing. Had the NP continued dropping at the second-arter rate we would have had the prorbial grass growing in the streets pretsoon. The recession isn't over. Not by ong shot.

As the chart below shows, gross nanal product should fall another 4% or in the third quarter after the recordng one-quarter free-fall of 9.1% in the ril-to-June period. That's not a botming out.

While autos and housing have already ken their knocks, other groups are only w confronting customer resistance, cumulated inventories and cutbacks in tivity. Retail sales are still in a major mp, capital-goods producers have yet feel the full impact of order deferrals and cancelations, paper producers are not close to the bottom of their correction. Even oil seems to be in oversupply. Unemployment is heading to 9%, where it will stay for a long time. The economy isn't strong enough to absorb all the new entrants to the job scene.

The consumer is in no position to pull the economy out of the dumps. His debts are still heavy in relation to income. Growth of disposable personal income is held down by recession-induced layoffs and reduced workweeks. The current high rate of inflation digs further into purchasing power.

Now for the good news—such as it is:

Inflation will moderate. Forget those newspaper reports about stepped-up wage increases this year. Those labor contracts were negotiated when the economy was booming, when recession was a reality only in autos and housing, not in virtually the entire economy.

David Levine, Sanford C. Bernstein & Co.'s able economist, predicts that inflation will be down to 6% by Christmas and to 5% by midwinter. There it will stick—high enough to cause serious problems but not high enough to scare the hell out of everybody.

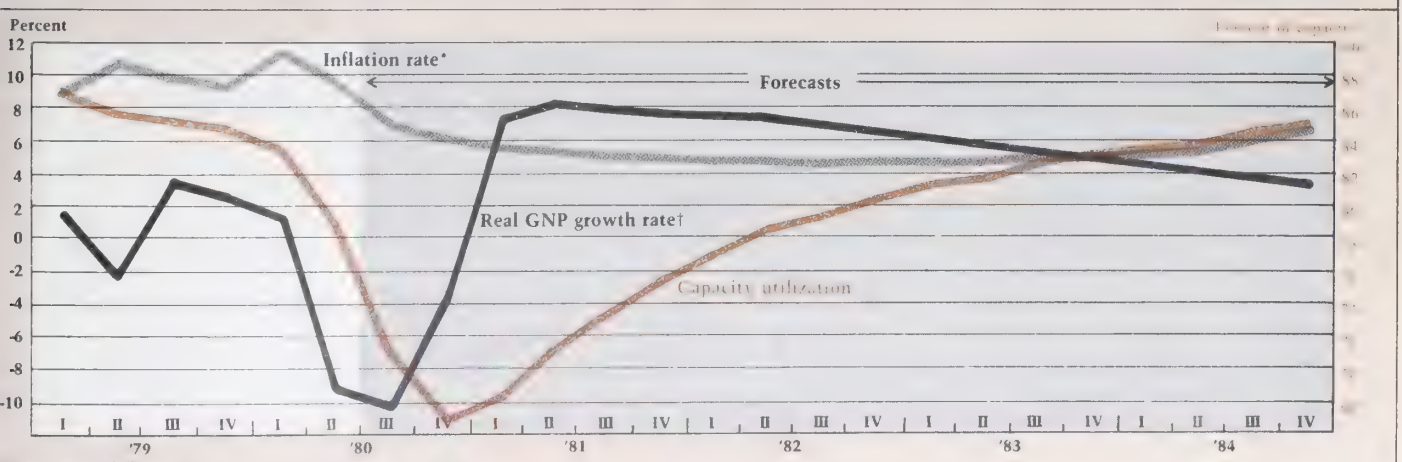
Citibank's *Economic Week* reaches the same conclusion. "Economic evidence indicates that inflation eases when unemployment rises to high levels and factory operating rates drop. The logical hypothesis is that the existence of such slack creates competition for jobs and sales that checks the rate of price increase despite the expectations that people hold."

Our own forecast is for an economy that picks up later this year but without vigor. This sets the stage for a slow, steady return of the consumer in 1981 with the prospect of a fairly low rate of inflation. If they mean by "bottoming out" that the bottom isn't going to fall out of the economy, they are certainly correct. But if the phrase suggests to you a fast and powerful rebound with a return to double-digit inflation, then you are reading both the numbers and the symptoms all wrong.—*Ben Weberman*

A prolonged business correction

The bad news: **After a turnaround following the fourth quarter, GNP growth will flatten and decline into 1984.**

The good news: **With workers and plant idle, inflation will stay below the double-digit level into the mid-1980s.**



Private sector deflator
Quarter-to-quarter annual rate
ource. Department of Commerce, Federal Reserve Board Forecasts Sanford C. Bernstein & Co

Caveat emptor. Certain bonds may be dangerous to your financial health but they are not necessarily so marked.

DO YOU READ LABELS?

By Ben Weberman

READ CAREFULLY what it says on the label. That's as good advice about bonds as about canned goods or patent medicines. Take some of the current high-coupon bonds. Can they be called in at par a few months after you pay a premium to get the apparently high interest rate? You won't know unless you read the labels; sometimes not even then.

For example, municipal bond dealers came up with the idea in 1978 that with the consent of a community, and use of its name, bonds could be sold carrying low-cost tax-free interest. Proceeds would be turned over to traditional mortgage lenders, who would then make loans to home buyers at rates—subsidized, in effect, by the taxpayer—below the going level for conventional mortgages.

The concept became popular. There were interest-cost savings to homeowners, fat fees for investment bankers and huge servicing fees for the mortgage-lending institutions. The volume soon outstripped sales of tax-exempts issued by governments to run their own operations.

Responding to publicity about abuses, Representative Al Ullman (D–Ore.), chairman of the House Ways & Means Committee, pushed a bill through the House that would do away with the tax exemption on interest for new issues of certain types of mortgage subsidy bonds. Senator Russell B. Long (D–La.), chairman of the Senate Finance Committee, has fought this proposal to a standstill. Taking no chances, however, many sponsors have tailored issues to conform to the Ullman bill. Their proceeds are required to be committed by Jan. 1, 1981 and taken down by July 1. Any money left over would have to be used to redeem bonds at 100.

A group of recent offerings made in this way could well run into trouble. Many of these issues carry coupons far in excess of 10½%, and they have a mortgage lending requirement (in order to break even) of up to 13%. Those 12%-to-13% rates looked darned good to borrowers in March when rates were 14% or more.

Today when mortgage rates are 12% or so and, in my judgment, heading down to 10%, the proceeds of many of the issues will not be invested in time. Which ones? Information is very difficult to get—as it is for most municipal bonds.

Calls must be made to underwriters, local government authorities, bank trustees. You can spend a year's interest in phone calls trying to find the proper party.

A list of issues that *could* be required to turn back some money includes: Sedgwick County, Kans., bonds with long-term issues carrying a coupon of 11¼s; Shawnee County, Kans., 11¼s; Grady County, Okla., 11¼s; Berkeley County, W.Va., 11¼s; Albuquerque, N.M., 10¾s; Downers Grove, Ill., 11¼s; and Dade County, Fla., 10⅛s.

At today's market levels with long-term housing revenue bond rates at 8½%, these 11%-or-so bonds sell at a premium price. The Shawnee County, Kans. 11¼s of 2011 are being offered at 111⅞ as of this writing.

The institutional investors are aware of the redemption possibilities and are starting to sell off these holdings. These bonds, being offered by big holders at a discount of several points from going prices, could be purchased by some of the less scrupulous dealers who will then resell them at marked-up prices to individuals or less-knowledgeable institutional investors. So, watch out!

The warning to avoid premium-price securities applies also to the U.S.-government-guaranteed, GNMA mortgage-backed pools.

The GNMA investor is fully protected against credit default but anyone who buys a high-coupon, premium-price pool should expect to have a much faster than normal paydown of principal. The average life of high-coupon GNMAs will be much shorter than the assumed 12 years.

A particular problem is a group of about $245 million of FHA-insured loans made by approved lenders to builders who were stuck with large inventories of unsold homes. On Apr. 18, Lawrence B. Simons, assistant secretary for housing in the Department of Housing & Urban Development, waived many requirements and permitted HUD field offices to give commitments to builders to create mortgages that would be guaranteed by the government under the GNMA program. An interest ceiling of 14% was set on these builder loans on May 14, well above the then prevailing 11½% of owner-occupied residential mortgage loans.

These builder loans, essentially short-term financing, have been showing up in the 12½% GNMA pools. The high interest rates have set very high prices on bonds secured by the mortgage pools involved. Since the builder loans are short term by nature and would be paid back quickly under any circumstances because of high cost, the investor who pays a big premium will soon get back $1 for each $1.05 or $1.10 he paid for the pool.

There is no present method of identifying which pools contain builder loans. Even dealers can't find out. PSA Self-Regulation, Inc., the dealers' trade organization, has hauled Moon Landrieu, Secretary of HUD, into court to try to force disclosure. At this writing the effort is fruitless. The only means of possible identification is the knowledge that GNMA mortgage pools originated in June, July or August may contain builders' loans. They may be dangerous to your financial health but they aren't so marked.

GNMA pools with credit guaranteed by the federal government are good investments, yielding 11% or so on pools, while Treasuries due in 10-to-15 years return 10.15%. The caveat is against the high-coupon, premium-price pools. The 12½% pools selling at 102 to yield 12% are superficially attractive. That is because the smart money will not touch them. ■

Ben Weberman is economics editor of FORBES *magazine.*

This announcement is neither an offer to sell nor a solicitation of an offer to buy any of these Securities. The offer is made only by the Prospectus.

$200,000,000

K mart Corporation

9⅞% Notes Due 1985

Interest payable July 15 and January 15

Price 99.30% and Accrued Interest

Copies of the Prospectus may be obtained in any State from only such of the undersigned as may legally offer these Securities in compliance with the securities laws of such State.

MORGAN STANLEY & CO.
Incorporated

THE FIRST BOSTON CORPORATION
GOLDMAN, SACHS & CO.
LEHMAN BROTHERS KUHN LOEB
Incorporated

MERRILL LYNCH WHITE WELD CAPITAL MARKETS GROUP
Merrill Lynch, Pierce, Fenner & Smith Incorporated
SALOMON BROTHERS

BACHE HALSEY STUART SHIELDS
Incorporated
BEAR, STEARNS & CO.
BLYTH EASTMAN PAINE WEBBER
Incorporated

DILLON, READ & CO. INC.
DONALDSON, LUFKIN & JENRETTE
Securities Corporation
DREXEL BURNHAM LAMBERT
Incorporated

E. F. HUTTON & COMPANY INC.
KIDDER, PEABODY & CO.
Incorporated
LAZARD FRERES & CO.

L. F. ROTHSCHILD, UNTERBERG, TOWBIN
SHEARSON LOEB RHOADES INC.

SMITH BARNEY, HARRIS UPHAM & CO.
Incorporated
WARBURG PARIBAS BECKER
Incorporated

WERTHEIM & CO., INC.
DEAN WITTER REYNOLDS INC.

July 24, 1980

Regular Quarterly Dividend

43½¢ per Common Share

Payable: September 15, 1980

Record: August 15, 1980

Declared: July 23, 1980

◆ The dividend rate reflects a one-for-one stock distribution effected May 30, 1980.

Consecutive dividend payments since 1939.

Panhandle Eastern

PIPE LINE COMPANY

Cyril J. Smith, Secretary
P.O. Box 1642
Houston, Texas 77001

"Kids in their early teens who don't regard their parents as an embarrassment or at best a nuisance, don't have proper parents."

-from The Sayings of Chairman Malcolm

Yet another printing!

For the complete volume of 530 perceptive thoughts by the Editor-in-Chief of Forbes Magazine, published by Harper & Row, send $7.95 in check or money order, plus $1.00 for postage and handling to Forbes Inc., 60 Fifth Avenue, New York, NY 10011. Please add applicable sales tax.

Stock Comment

The stock market does not reflect what has happened or even what is happening, but what is expected to happen.

IT'S FOR REAL

By Heinz H. Biel

THE DJI IS WEIGHED down by too many cyclical stocks, as well as by AT&T and other big old-timers. That is why it is still struggling to get anywhere near the 1000 mark, which it first crossed way back in 1972. Our economy is too large, too diversified to be adequately represented by just 30 aging corporations. The broadly based and far more representative stock averages, like the S&P's 500 or the NYSE composite index, reflect much more accurately what is really happening in Wall Street. These indices reached new *all-time highs* last month; not just a *recovery high* as did the DJI. The extent of the advance from the lows of last March goes well beyond the scope of a summer rally. It has the earmarks of a new bull market.

Coming in the face of dismal business and other news, such euphoria may seem a little perverse, but the stock market does not reflect what has happened in the past or even what is happening now, but what is expected to happen in the future. This, I believe, includes the growing conviction that the present recession, while quite severe, will be brief and end before the year is out.

This is not as unreal as it may seem right now. The basic foundation for an upturn has been laid in recent months and there are various new straws in the wind. Corporations are replacing their short-term debt with long-term bonds, but consumers too are making an effort to put their financial houses in order. They are paying off loans with a vengeance. While this is hurting business, and probably is a contributing factor in deepening the recession, come this fall the American people should be in much better shape to buy homes, cars, appliances and all the other things that usually are being bought only with the help of credit. As businesses are paying off their burdensome bank loans, adequate consumer credit and mortgage money should be available, even without any infusion of funds by the Federal Reserve.

There are also faint but hopeful signs of a recovery in housing starts and retail sales, and the auto business should get better as soon as Ford has a car to sell that people want.

Whether politics is a market factor is debatable. The prospect, or at least the possibility, of a Republican victory in November is undoubtedly pleasing most members of the financial community, but they are also realists who know that even Mr. Reagan can not pull rabbits out of his hat. Convention hoopla and campaign promises have a way of being quickly forgotten. After all, does anybody still remember all the nice things that Jimmy Carter wanted to do for us?

In spite of the substantial advances of the past several months, the great majority of stocks are still selling at prices where the risk/reward ratio favors the investor. There are, however, a few segments of the market where I begin to wonder whether a new investor can get a fair shake for his money. They remind me of the one-decision stocks, the nifty-fifty of the early Seventies, which institutional and other investors kept on buying and buying without the slightest regard to the ever-higher level of their earnings multiples. Eventually these stocks were discounting not just a predictably favorable future, but the hereafter too. This craze ended abruptly in 1973-74, and few, if any, of these one-decision stocks have ever completely recovered, despite continuing earnings and dividend growth.

Heinz H. Biel is a vice president of the NYSE firm of Janney Montgomery Scott.

Oilfield service companies, especially *Schlumberger*, seem to be attaining such exalted status now. Oh, what a magnificent record and what a splendid and clearly visible future! You just can't go wrong with a stock like Schlumberger. Or can you? The price of the stock has multipled twentyfold in the past decade; tripled just since 1977. Its equity now has a market value of some $16 billion. How much longer can this go on?

This comment does not imply a *sell* recommendation. It is only intended to remind investors that even the most beautiful and strongest trees don't grow into the sky. And if you don't believe it, just look up the record and see what happened to the stars of 1972-73, to Xerox and Polaroid, to Du Pont and Honeywell, not to mention Avon or Sears.

Another group now being inundated with lavish and affectionate attention by institutions and individuals alike are the hospital-management companies. Anyone who has ever been exposed to the ordeal of being hospitalized agrees that there must be a better and more economical way to run such institutions. The apparent waste of personnel, time and equipment seems incredible. Well, the profit-oriented hospital-management companies are taking advantage—some say unfair advantage, "they just skim off the cream"—of the shortcomings of the municipal, voluntary and other hospitals. The field seems wide open. The surface has barely been scratched.

Some time ago (FORBES, *Mar. 19, 1979*) I suggested, with a little trepidation I admit, *Hospital Corp. of America* (44). It was then selling at 19¼ (adjusted) with a projected P/E ratio of 10, which seemed reasonable and attractive at the time. Progress since then has been even better than could have been expected. But now the stock sells at 17 times this year's estimated earnings. The common stock, nearly 50% owned by institutions, has a current market value of $1.3 billion, which seems rather rich. I would continue to hold the stock, but I would no longer buy it. The risk/reward ratio is beginning to turn unfavorable.

This is the crucial point to keep in mind. People tend to get greedy and careless in bull markets, when the "random walk" and the tip seem to produce the same results as any research. But it is the odds that matter, the risk/reward ratio, and if you don't care about the odds you might as well go to Vegas or Atlantic City. ■

Great news! These high yielding Fidelity money market funds are accepting new accounts.

HIGH YIELDS TWO WAYS.

FDIT for $10,000 or more.
1. High daily income.
2. No minimum investment period.
3. No early withdrawal penalty.
4. Free check redemption of $500 or more.
5. $500 or more additional investment.
6. Free reinvestment of income.

Fidelity Cash Reserves, for as little as $1,000.
1. High current money market yields.
2. No minimum investment period.
3. No interest penalties for early withdrawal.
4. Immediate liquidity through convenient check redemption.
5. $250 or more additional investment.
6. Free reinvestment of income.

FIDELITY

31 FIDELITY DAILY INCOME TRUST
ACCOUNTS OF $10,000 OR MORE.

P.O. Box 832, Dept. HB 0818806
82 Devonshire St., Boston, Mass. 02103

For more complete information, including management fees and expenses, please write or call for a prospectus. Read it carefully before you invest or send money.

Name
Address
City State Zip
Retirement Plan Information Keogh 403B
Fidelity Group
Over $8 billion of assets under management

CALL FREE (800) 225-6190
In Mass. Call Collect (617) 523-1919

55 FIDELITY CASH RESERVES
ACCOUNTS OF $1,000 OR MORE.

P.O. Box 832, Dept. HB 0818806
82 Devonshire St., Boston, Mass. 02103

For more complete information, including management fees and expenses, please write or call for a prospectus. Read it carefully before you invest or send money.

Name
Address
City State Zip
Retirement Plan Information Keogh IRA 403B
Fidelity Group
Over $8 billion of assets under management

The Lafferites, who are prominent in Reagan's camp and in his counsels, preach that we can have our cake and eat it too.

REAGAN: A HEATH OR A THATCHER?

By Ashby Bladen

THE WAY the presidential campaign is developing, I see no reason for optimism among those hoping for a return to financially responsible policies. By espousing tax cuts and Lafferite economics, Reagan is in effect joining his opponents in promising the American people that they will not have to make difficult choices. The Lafferites, who are prominent in Reagan's camp, and in his counsels, preach that we can have our cake and eat it at the same time. By cutting taxes, they would so stimulate business and so enhance incentives that the economy would expand rapidly. It would expand so rapidly that tax revenues would rise to the point where any federal deficit would be quickly eliminated.

The theory is named after Arthur B. Laffer, an economist at the University of Southern California. It's a nice, comforting theory but there is no evidence for it except some historical analogies that will strike the skeptic as far-fetched. If these theories prove wrong, as they may well do, they will unleash an inflationary explosion.

Our real long-term problem is a dearth of savings. One of the main reasons for the steadily less satisfactory performance of the American economy is that our political system regularly favors borrowers and spenders over producers, savers and investors. It does this even though it is obviously the savers, those who produce more than they consume, who provide the capital facilities—the tools, machines, factories and the like—that make human efforts more efficient and productive.

This pro-consumer bias has been around for a long time, and in some areas it has already caused enormous damage. For example, for more than a century we have thought it more desirable that passengers and shippers should enjoy low fares than that the investors who provided the capital to build the railroads should reap a satisfactory return on their savings. And so today, when viable railroads would be very useful, we find that the investors in our eastern lines have given up long ago and left them in a disastrous state of disrepair. Now it is up to the politicians to find many billions of dollars of savings to put them back into satisfactory shape. This is a function that politicians, for whom the long run extends through the next election, are singularly ill-equipped to carry out.

Fortunately, our western railroads are generally in much better shape. In many cases their construction was politically subsidized by land grants that have turned out to be spectacularly valuable; and their average hauls are much longer and more economic. With any luck, we may someday be able to get the politicians out of the railroad business by turning the burden of the bankrupt lines over to western managements who *do* know how to run a railroad, in exchange for access to the East Coast.

Another, somewhat less long-standing but equally destructive example of the populist bias against savings and investment is rent control, which is causing the destruction of about 30,000 apartments a year in New York City alone. Until 1975 New York City simply bulldozed the buildings when they became vandalized, and replaced them with subsidized Mitchell-Lama projects; but by now lenders have come to suspect that the ultimate losses on Mitchell-Lama housing will be comparable with those already caused by rent controls. The losses are legally chargeable to the taxpayers of New York State, not the lenders; but a prudent lender will reflect that there is really nothing to prevent the taxpayers from voting with their feet if their tax burden becomes markedly higher than it is elsewhere. Once the credibility of promises to repay borrowed savings is destroyed, the ability to finance viable transportation, decent housing or anything else, also vanishes.

After the financial crises that hit New York City and State and the Commonwealth of Massachusetts during 1974 and 1975 everybody is, or should be, aware that state and local governments do not command unlimited credit; but many people still believe that the government of the national state can solve all economic and financial problems simply by using its own borrowing power. Unfortunately, it is not so. Borrowing and spending create demand, but they do not necessarily create supply. It is precisely because we have become so much better at creating demand than we are at producing a corresponding supply of real goods and services that we are now stuck in an endemic inflation.

There is a hard nugget of truth embodied in the old English adage that if wishes were horses then beggars would ride. Modern political democracies start with the assertion that everybody ought to ride, so if anybody lacks a horse the government ought to give him a loan to buy one. Well, unfortunately, there are only so many horses in the kingdom and they will only multiply so fast, so if the supply of credit available to buy them grows faster, the price of horses is bound to go up. Neither Lafferites nor Keynesians can change this hard fact of life. The last conservative Prime Minister in Britain, Mr. Heath, assumed that he had to go for growth at any financial cost—a rough equivalent of Lafferism—and so his government fell into a morass of inflation and labor troubles. So far the current Prime Minister, Mrs. Thatcher, has sternly refused to make available all the credit that the market desires. This is commendable, but unfortunately in countries where financial systems have become as overextended and fragile as those of the U.K. and the U.S. now are, severe credit rationing involves a substantial risk of a deflationary liquidity crisis. It's a chance worth taking because the alternatives won't work.

At this point Governor Reagan looks more like Mr. Heath than Mrs. Thatcher. A pity. ■

Ashby Bladen is senior vice president-investments for the Guardian Life Insurance Co. of America and author of How to Cope with the Developing Financial Crisis

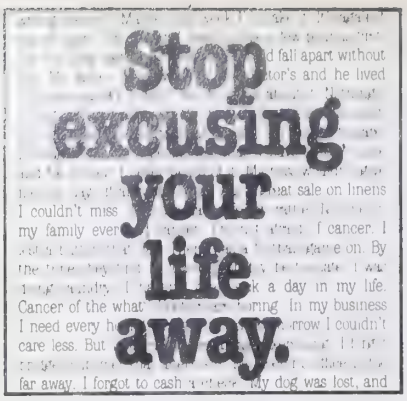
Recession or no recession, Keene has just rolled up its best quarter ever!

Keene keeps right on setting new records – second quarter sales, net income and earnings per share all were the highest for any quarter in the company's history. Moreover, it's the nineteenth time in a row Keene's quarterly earnings topped the earnings of the same quarter of the previous year. Result: first half figures make pleasant reading. Record sales up to $105.8 million, a gain of 8% over the similar 1979 period. Net income rose 12% to a new high of $6.1 million. That works out to $2.16 per share, up 26%.

How Keene keeps looking good during recessions.

We stress productivity and cost reduction. And the "mix" of our core product lines – bearings, lighting, laminates and filtration – offers protection against cyclical downturns. We're also aggressive about increasing our market shares and opening up new markets, and that's proved helpful in times like these. For example, while our traditional auto sales are down, the slack has been taken up by our stronger position in the aerospace, military, and machine tool markets. And we've opened two new bearings plants to handle the growth ahead. For some interesting reading on how Keene capitalizes on bad times, send for the latest stockholders reports.

KEENE
CORPORATION
200 Park Avenue, New York, N.Y. 10017



Everyone has an excuse for not seeing their doctor about colorectal cancer. However, every year 52,000 men and women die of colorectal cancer in this country alone. Two out of three of these people might be saved by early detection and treatment. Two out of three.

So what is your excuse? Today you have a new, simple, practical way of providing your doctor with a stool specimen on which he can perform the guaiac test. This can detect signs of colorectal cancer in its early stages before symptoms appear.

American Cancer Society

THIS SPACE CONTRIBUTED AS A PUBLIC SERVICE

QUARTERLY DIVIDENDS SINCE 1935

NATIONAL DISTILLERS AND CHEMICAL CORPORATION

DIVIDEND NOTICE

The Board of Directors has declared a quarterly dividend of 50¢ per share on the outstanding Common Stock, payable on September 2, 1980 to stockholders of record on August 11, 1980. The transfer books will not close.

July 24, 1980

RAMSEY E. JOSLIN,
Vice President-Financial

NDCC

DIVISIONS: U.S. INDUSTRIAL CHEMICALS CO
EMERY INDUSTRIES, INC
NATIONAL DISTILLERS PRODUCTS CO
ALMADÉN VINEYARDS, INC
BRIDGEPORT BRASS COMPANY
BEACON MANUFACTURING COMPANY
INDIANA GROUP, INC

When investors behave like speculators, you can't have a healthy bull market.

BE CAREFUL!

By Srully Blotnick

I DON'T GO ALONG with the consensus that we're in a real bull market, that stocks are finally breaking out of the pattern they have traced for the past three years. Why am I skeptical? The answer is in the psychology of the investors I survey.

We'll call him Bill. He's a substantial market player in my sample, 51, and a vice president in real life of one of the nation's largest retail chains. He's what I call a high roller in the stock market. Strictly a speculator, he's in it for the thrills and for the fast moves. What's Bill doing these days? Nothing—or very little. "I've looked at the computer stocks," he says, "but the whole market looks shaky to me."

I asked Bill what it would take to get him to jump in. He said: "I'm waiting for the market to show me that it wants to go in one direction or the other. But it won't commit itself. It rallies, then retreats. There's no real momentum. Even this is a half-hearted rally."

Now, let's talk with Sam, who's about the same age as Bill—54—and equally well placed as a chemical company executive. Their financial and demographic profiles are fairly similar but the two men differ markedly when they play the stock market. Bill's a high roller. Sam's strictly an investor. If Bill the speculator is only playing halfheartedly these days, what is Sam the investor doing? He's halfhearted, too. "I've been doing a little nibbling," he says, "but everyone is sitting on the fence and I am too. I don't want to be the first one to make a move."

That's interesting. And significant. The prototypical speculator in my survey and the prototypical investor are both behaving exactly the same.

For three years, both the investors and the speculators in this group said that they were just waiting for the recession. Then they would make their moves. The recession would clear the air. It would slow inflation and set the stage for a recovery. Well, the recession is here. But neither my speculators nor my investors are in there buying heavily.

One of the most significant types of damage done by a protracted bout of inflation is to the normal financial behavior of different types of market players. It makes investors and speculators act alike. You can hardly tell the one from the other even though in past periods they behaved very differently. Each tries to keep pace not so much with inflation (though that's what they claim) as with one another (something they feel embarrassed to say). Normal market movements become stunted and jerky, as a result. That has been the case to a much larger extent these last three years than nearly everyone I've talked to realizes.

Look at a chart of the Dow Jones industrials since the end of 1976. What does it show? Peaks and valleys, peaks and valleys. Down 200 points. Up 180. Down 140. Up 100. Down 110. Up 130. Down 190. And now up 200 points. But overall, no net progress. These charts reflect the underlying mood of investors: playing for swings, not in it for the long pull.

And unless something happens that causes the two types—the Bills and the Sams—to stop acting in unison, the market is likely to stay in a trading range. There's a good reason for this. You need both the Bills and the Sams for a smoothly functioning stock market.

The best way to think about it is this: Visualize a car with a six-cylin-

Dr. Srully Blotnick is a practicing psychologist and author of Getting Rich Your Own Way *and* Winning: The Psychology of Successful Investing.

der engine. Label five of the six cylinders "investors." Label one of them "speculator." If all six cylinders fire at once—instead of in smooth succession—the car will jerk forward and stop, until the next neck-snapping firing. That's a picture of what's happening now.

Under more normal circumstances only one-sixth of the investors in my sample would be appropriately labeled speculators. For the moment, they all might as well be. To make the analogy with the car more accurate, imagine that it is on an upwardly sloping hill. When it stops firing, it therefore rolls backward to where it started. No regular progress forward. Just a frustrating back-and-forth motion.

In sustained rallies during past periods it was usually *investors* who began buying a stock at $10, say, because it had been beaten down by the prior decline to the point at which they thought it represented a good value. By the time it was at $15, though, the *speculators* were getting interested. It had finally shown enough life to intrigue them. At $15 they thus bought some, giving the move new life.

However, there are fast-moving investors and slower-moving ones—in fact, a whole spectrum of them. With the stock at $17, new investors arrived on the scene. They were the more deliberate sort, and they bought stock from the speculators, who were only too happy to make a 2- or 3-point profit from the move and call it quits.

At 22 or 23, though, with the slower investors running out of steam and money, the speculators were back. By then, they were kicking themselves roundly for having sold out too soon. Convinced that the stock was going much higher, they bought it back again, and rode it to 25 or 26. With a gain of 3 points staring them in the face, they were more than pleased, and threw the towel in once again. At that point, the slowest reacting of the investors arrived on the scene (that is, the institutions) and relieved the speculators of their holdings.

That is a normal time sequence of market transactions by different types of players.

This sequence is not functioning currently. Therefore, if the past conduct of the people in my sample is any guide, we will not be able to have a real bull market until another sharp break comes and separates the investors from the speculators. The frenzy is gone now, and the decline should serve to divide them. In the meantime: Be careful. ■

HOW NOT TO GO BROKE ON A SIX-FIGURE INCOME.

The problem is that earning six figures devours your time and energy. You are too drained to take stock, set goals, make plans. You feel out of control.

The answer is professional help—your own PBD Banker at the Private Banking Division, the bank-within-a-bank at Citibank. Through your PBD Banker, you have immediate access to all the resources of Citibank, to its specialists, its technology, its information.

If you have a net worth of $1,000,000 or more, write to Margaret Scott, V.P., Private Banking Division, Box 2450, One Citicorp Center, Lexington Avenue at 53rd Street, New York, N.Y. 10043.

PRIVATE BANKING DIVISION
CITIBANK

©1980 Citibank, N.A., member F.D.I.C.

A VERY SPECIAL OFFER TO READERS OF FORBES

Standard & Poor's STOCK GUIDE

ORDER NOW
SAVE 20%

Return the coupon and receive your own personal copy of Standard & Poor's 268-page Stock Guide, delivered to your home or office each month for a full year at a remarkable $10.40 saving from the regular $52 price. With its 268 fact-filled pages and 44 columns of information on over 5,000 stocks and mutual funds, each monthly issue literally puts the stock market at your fingertips. It's probably the most widely used, most useful and most often referred to investor's aid in the world. Please act now, this 20% discount offer may not be repeated.

Standard & Poor's Corporation
25 Broadway, New York, N.Y. 10004

RBO-4FON33

Standard & Poor's Corporation
25 Broadway, New York, N.Y. 10004

Please enter my subscription to Security Owner's STOCK GUIDE at once. Bill me later for the tax deductible cost of only $41.60 for 12 monthly issues. (A $10.40 saving from the regular price.) New subscribers only.

Print Name _____

Signature _____

Address _____

City _____ State _____ Zip _____

No assignment of this agreement without subscriber [illegible]

WHY YOU SHOULD MAKE A CORPORATE CONTRIBUTION TO THE AD COUNCIL

The Advertising Council is the biggest advertiser in the world. Last year, with the cooperation of all media, the Council placed almost six hundred million dollars of public service advertising. Yet its total operating expense budget was only $1,147,000 which makes its advertising programs one of America's greatest bargains . . . for every $1 cash outlay the Council is generating over $600 of advertising.

U.S. business and associated groups contributed the dollars the Ad Council needs to create and manage this remarkable program. Advertisers, advertising agencies, and the media contributed the space and time.

Your company can play a role. If you believe in supporting public service efforts to help meet the challenges which face our nation today, then your company can do as many hundreds of others—large and small—have done. You can make a tax-deductible contribution to the Advertising Council.

At the very least you can, quite easily, find out more about how the Council works and what it does. Simply write to: Robert P. Keim, President, The Advertising Council, Inc., 825 Third Avenue, New York, New York 10022.

Ad Council A Public Service of This Magazine & The Advertising Council

The cost of preparation of this advertisement was paid for by the American Business Press, the association of specialized business publications. This space was donated by this magazine.

As cyclical inflation drops, the gurus of disinflation will emerge from their caves.

A CLASSICAL BULL MARKET

By Richard B. Hoey

THE CREDIT CRUNCH program of the Federal Reserve this spring drove a stake through the heart of the vampire of inflation. But the next morning the layoffs began, so the Fed removed the stake and a classical bull market in stocks and bonds began.

The outlook for stocks and bonds is a function of six overlapping cycles: 1) the liquidity cycle, 2) the inflation cycle, 3) the pinstripe guru cycle, 4) the presidential cycle, 5) the OPEC oil price cycle and 6) the less-developed countries' insolvency risk cycle.

The liquidity cycle is the most important influence on stock and bond prices. There are three main uses for liquidity—to finance inflation, to finance spending on real goods and services and to purchase financial assets such as stocks and bonds. Late in an economic cycle, most of the liquidity in the financial system is absorbed by inflation and by the purchase of goods. Bond prices decline, as do the prices of those stocks that are not benefiting from inflation. When the monetary authorities decide that they should no longer accommodate accelerating inflation, they trigger a liquidity crisis, driving stock and bond prices to their cyclical lows.

When the credit crunch is eased, both economic activity and inflation go into a downtrend, so that more liquidity becomes available for the purchase of stocks and bonds. Short-term interest rates drop, reducing the appeal of this alternative to the purchase of stocks and bonds.

The liquidity cycle explains why bull markets begin during a recession, rather than afterwards. All the classic signs of the favorable phase of the liquidity cycle can now be seen: cuts in the discount rate and reserve requirements, a decline in short-term yields below long-term yields, a decline in member bank borrowings at the Fed's discount window.

There is also an inflation cycle, closely linked to the business cycle in the economy. Recessions always generate at least a temporary decline in inflation. This usually persists through the early phase of economic recovery because productivity soars in the first year of a recovery. As output rises from a very depressed level, the cost of labor is spread over more units. Thus, unit labor costs and consumer prices tend to increase very slowly in the early recovery. The rate of consumer price inflation should drop temporarily to about 6%.

Many investors expect an early resurgence of inflation. We disagree. A low inflation rate is likely for the next 12 to 18 months. Any big resurgence is more likely to occur in 1982 or 1983 than in 1981. Thus the inflation cycle is at a favorable point.

The pinstripe guru cycle is also in a favorable phase. At each cyclical extreme in the inflation rate, a persuasive Wall Street economist can be found to forecast that the recent trend will last forever. In 1976 and 1977, when inflation was at its cyclical low, the gurus of disinflation were dominant. They argued that a sustained drop to 3% or 4% inflation was just around the corner. In early 1980 the gurus of hyperinflation were dominant, arguing that the bond market would disappear within a few months.

As cyclical inflation drops, the gurus of disinflation will emerge from their caves to provide a good excuse to buy bonds at their cyclical peak in 1981. We believe that it's better to buy bonds now, when many investors are still skeptical

Richard B. Hoey is a vice president, economist and investment strategist at Bache Halsey Stuart Shields

about any improvement in inflation.

There's been a strong presidential cycle in stock prices in the last 20 years. Nearly all the big market gains have been made in the two years preceding the presidential election. Monetary policy has a tendency to ease in the runup to the election, although this process has started much later this cycle. The presidential cycle may merely reflect the historical timing of the liquidity cycle in the last 20 years. Nonetheless, it is in a favorable phase.

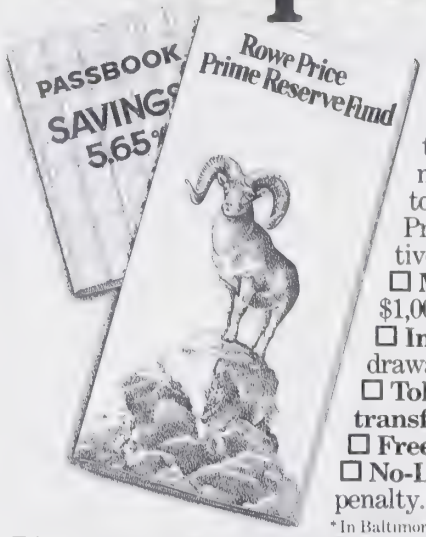
The OPEC oil price cycle has positive implications for bonds and nonenergy stocks. OPEC prices have tended to explode at the end of a world economic expansion, when capacity utilization and the level of demand is high. The OPEC oil price increases tend to slow at about the time they drive the rest of the world to the edge of economic calamity, which usually coincides with a worldwide slowdown in the demand for goods, including oil. The odds favor relative stability in OPEC oil prices over the next year, after the explosion in prices in the last 18 months.

The less-developed countries' insolvency risk cycle is at a less favorable phase. The less-developed countries are forecast by the International Monetary Fund to have a balance of payments deficit of $78 billion in 1981, up from $36 billion in 1978, before oil prices began their second big surge. This is a nagging long-term problem, but there is an easy way for investors to monitor it. Any major disaster in this area would be immediately signaled by a sharp drop in the price of money center bank stocks. Unless that occurs, investors should not let concern about this problem divert them from the opportunities available in our stock and bond markets.

For the balance of 1980, investors can expect a continued decline in interest rates without any inflationary explosion in monetary growth. Cyclical conditions remain favorable for bond investment. We expect all interest rates to reach new cyclical lows in the next six months.

The stock market has soared since the credit crunch ended, but seven stocks that we favor at current prices are *BankAmerica* (26), which should earn $4.45 in 1980 and $4.90 in 1981. *NLT* (23), $4.25 and $4.80; *PennCorp Financial* (9), $1.80 and $2.10; *Hexcel* (32), $2.40 and $2.90; *Consolidated Natural Gas* (43), $6.10 and $7.30; *Gibraltar Financial* (10), 60 cents and $2.40 and *Diamond Shamrock* (32), $3.90 and $4.65. ■

Compare yields:



Call free 1-800-638-5660*

A savings account† is certainly dependable for everyday emergencies. But in these times of spiraling inflation, it's also important to seek maximum return on your money. In addition to high current yields, the Rowe Price Prime Reserve Fund offers these attractive advantages:

☐ **Minimum initial investment,** just $1,000 (as little as $100 thereafter).

☐ **Immediate liquidity** with no withdrawal penalty.

☐ **Toll-Free telephone redemption/transfer.**

☐ **Free check writing.**

☐ **No-Load.** No sales charge or redemption penalty.

*In Baltimore 547-2308. Elsewhere in Md. 1-800-492-1976

A 6

Rowe Price Prime Reserve Fund, Inc.

100 E. Pratt St. Baltimore, Maryland 21202

Name_____

Address_____

City_____ State_____ Zip_____

For more complete information, including management fee and other charges and expenses, obtain a prospectus. Read it carefully before you invest or send money.

†Your investment in a savings account is insured by a government agency while Fund shares are subject to market fluctuations. However, your savings account investment is limited to a fixed return.

RJR

R.J.Reynolds Industries, Inc.

Common Stock Dividend

A quarterly dividend of 52½ cents per share has been declared on the Common Stock of the Company, payable September 5, 1980 to stockholders of record at the close of business August 8, 1980.

H. C. ROEMER
Senior Vice President,
Secretary and General Counsel
Winston-Salem, N. C., July 17, 1980

Eighty Consecutive Years of Cash Dividend Payments

Tobacco Products
Del Monte Foods
Fresh Fruit
Convenience Foods and Beverages
Containerized Shipping
Energy
Packaging Products
Specialty Aluminum Products

REACH THE AFFLUENT IN FORBES

One out of every 7 FORBES subscribers is a millionaire

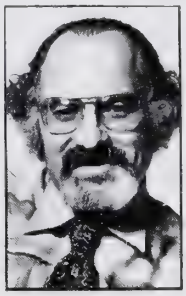
Forbes
Classified
appears in
the first
issue
of every
month.
Look for it
in the
upcoming
issue.
For rates
and other
information
on FORBES
CLASSIFIED
call
Sarah Madison
(212) 620-2371

Forbes:
Capitalist
Tool

Unless our thinking returns to the Forties, the Arabs will trash us in the Eighties.

EUROPE ON 25 CENTS A DAY

By Martin T. Sosnoff



THE COUNTRY IS awash in a foamy sea of liquidity. This is all you really have to know. The prime will be under 10% in another month or two. T bills at 4% to 5%. Long-term bonds at 10%. There is the consumer price index headed toward 5% this fall and an Administration on the verge of panic. Count on a tax cut this fall when the unemployment rate hits 9%. The Federal Reserve Board has panicked already, and our European friends shake their heads, the weaker dollar symptomatic of their unease.

This past month, the brokerage house stocks and the casino goods got their second wind, two groups that are the most obvious surrogates of irrepressible speculation. One school of thought suggests that the market cannot buck the negative earnings surprises of unfolding quarterly reports and must succumb. This is nonsense. There is so much money around that the averages will head higher for the next 12 months. Who knows where it will all come out, so let's enjoy it while we can.

Let the international bankers worry about Third World loan defaults and the escalating price of oil. Sooner or later they will be right, but not while interest rates are in a free-fall state. Everyone should be drinking his vintage 1966 Bordeaux and savoring it. Meanwhile, I will tell you why the financial world doesn't succumb, even with the Arab world spreading its inflation like modern-day Spanish conquistadores.

Hotel rooms in London that should be deluxe but are not go for $175, thanks to our Arab friends and their leggy consorts. Havana cigars, admittedly scarce because of crop failure, $100 a box of 25, and that 1976 Château Margaux is more expensive in the duty-free shop at the airport in Paris than it is in New York.

My friend Jerry Goodman, writing in *Esquire*, chronicles inflation in Germany of the Twenties. Bushels of paper money, forever the iconography of galloping inflation. Let me go back to the Fifties here and share with you my experiences traveling then as a contrast in states of mind.

In the early Fifties, nobody at school had any money but we all went to Europe at least one of our four free summers and never worried about funds running out. Nightly, late in June, the Montreal Limited that spanned New York and Canada in an evening's journey was crammed with vacationing students. The uniform was a crisp pair of chinos and a faded Madras shirt, perhaps a bottle of Scotch, generously passed among the seats. I think the fare was about $12. Then you boarded an old transport bound for Le Havre, maybe a hundred bucks for passage.

All of us were so ingrained with frugality that we crammed canned goods in our rucksacks. I toted an enormous canister of a dense, grainy rye bread, and all through Europe I carved off slivers of bread and spread honey on my frugal repast. For two months I lived on this bread and a jar of Grecian honey. The American Youth Hostel movement was so well organized that for 25 cents a night you could get a mattress in a double-decker bed in any city of Europe. You shared your Woolite, washed your socks and the horrid nylon boxer shorts that every male traveler sweltered in.

The fruity wines of Tuscany went for 15 cents a liter, and in Greece it was impossible to spend any money. Nobody had it. We bounded from marble ruin to marble ruin. My God!

Martin T. Sosnoff is chairman of Atalanta Capital Corp., New York, and the author of Humble on Wall Street.

There is Praxiteles' workshop, and in Olympia, surely one of the world's special sites, the original marble starting marker for the Olympic runners. If you had some money, in Venice you sipped espresso at Florian's, enveloped in orchestral strings bowing 19th-century sentimentalities. The poor gorged themselves in the side street cafes off St. Mark's and looked at the moonlight shimmering over the many-splendored domes.

When Arthur Frommer's paperback *Europe on $5 a Day*, came out late in the Fifties, I couldn't understand the fuss. I had spent three months on the Continent, averaged a dollar a day and brought home lots of presents, including a Cretan shopkeeper's canary awarded to me for an especially rigorous Tsamikos circle dance that he couldn't figure out how I could pick up. But I did. My only indulgence was a paper-thin pocket watch from Zurich that still ticks for me. You can now buy its offspring at Tiffany's for thousands upon thousands.

And now, back to 1980. A week in Denmark where not a blade of grass is out of place. Everyone is middle class, in pressed jeans and in world-class front-wheel-drive sedans. No traffic jams. No lock chains for the bicycles pedaled by young and old. Ocean-going ferries always on time, the spotless restrooms and play areas filled with tots constructing Leggo fantasies. Gasoline is $4 a gallon—self service. The houses are all freshly painted. Nobody is hurting. There is no abrasiveness, no New York syndrome of intimidation. No visible police. No superwealth. Frugality and contentment live happily together.

Maybe this is where we have to get to over the next 50 years. Let the Arabs take over the Dorchester in London. The oil inflation—their major export—eventually will get us unless we get them. How much longer will suburbia motor around in those ponderous station wagons at nine miles to a gallon? Frugality, of course, is a state of mind. I had it in 1950, then lost it in the Sixties. The country hasn't had it since 1944. If we don't get it back, the Arabs will trash us in the Eighties. The stock market—witness the casino goods and brokerage house plays—doesn't make long-term judgments. Its message: Enjoy the present.

Every economic recovery has been ushered in by an equities bull market, preceding the recovery by three to six months. The present action of the market suggests such a pattern. ■

Let Value Line Help You Identify

400 STOCKS TO AVOID NOW

Plus 100 stocks that may outperform most others in the next 12 months.

An otherwise solid stock portfolio can be held back by a few lagging stocks so it's important to be able to identify the least timely stocks as well as the most timely ones. (In some years a great company can translate into a lagging stock.) And to be immediately aware of significant *changes* in any of your stocks.

That's why The Value Line Investment Survey every week of the year ranks 1700 stocks—each *relative* to all the others—for *Probable Market Performance in the next 12 Months*, as follows:

100 stocks are ranked 1 (Highest)
300 stocks are ranked 2 (Above Average)
900 stocks are ranked 3 (Average)
300 stocks are ranked 4 (below Average)
100 stocks are ranked 5 (Lowest)

Note: Not every stock will always perform in accordance with its rank. But it is a fact that favorably ranked stocks, as a group, have outperformed poorly ranked stocks with remarkable consistency since the ranking system was introduced in 1965.

While past performance can never guarantee future success, this record of 15 years of successful discrimination strongly suggests that you can tilt the investment probabilities in your favor by using The Value Line ranks to give you objective indexes not only of timeliness but Safety and estimated yield as well.

SPECIAL OFFER

Value Line is offering a special introductory 10-week trial subscription to The Value Line Investment Survey for only $33—about half the regular price, provided you have not had a subscription in the past two years. As a double bonus at no additional charge, you will receive the 2000-page Investors Reference Service (covering 1700 stocks) which will be updated every week—filing takes but one minute a week—and the 96-page booklet. "Evaluating Common Stocks." Send check or money order along with name, address and zip code together with this ad to:

The Value Line Investment Survey

Arnold Bernhard & Co., Inc. 711 Third Avenue, New York, N.Y. 10017

☐ Begin my 10-week trial to The Value Line Survey (limited once to any household every two years) and send me the two bonuses listed above. Check for $33 is enclosed. (Trial subscriptions must be accompanied by payment.)

SPECIAL EXTRA BONUS

A famous-make pocket-size CREDIT CARD/CALCULATOR SUPER SLIM LCD CALCULATOR (with full memory) given to you when you order the Value Line Investment Survey for one year—and send payment now.

☐ 1 year for $330. My payment is enclosed—send me the CALCULATOR as my extra special bonus. (There are no restrictions with this annual subscription.)

☐ Enter my subscription now. Bill me for $330. (Does not include the calculator.)

SIGNATURE

NAME (please print)

ADDRESS APT.

CITY STATE ZIP

GUARANTEE: If dissatisfied for any reason, I may return material within 30 days for full refund of the fee I have paid. Subscription tax-deductible and nonassignable. Foreign rates on request. (NY residents add sales tax.) 816D18

MEMO
to consumer advertisers:

Forbes has FREE merchandising support for you!

All consumer advertisers running at least a single page of advertising in Forbes during 1980 qualify for free merchandising support. Just one page entitles such advertisers to run in one of Forbes' direct-response, merchandising publications, either Respond or the 1980 Forbes Package of Gift Ideas for Executives. And those who run two or more pages of consumer advertising can appear in both--at no additional cost.

Forbes Respond is a 6-1/2 x 11-inch brochure which contains self-addressed reply cards featuring consumer products or services, three cards per page. The brochure will be mailed in October to over 120,000 highly affluent and influential executives who subscribe to Forbes. Over 20,000 will be sent to corporate officers in America's largest companies and 100,000 to subscribers in the highest income zip codes in the country. CLOSES SEPTEMBER 2, 1980.

The 1980 Forbes Package of Gift Ideas for Executives will be a handsome booklet, measuring 8-1/4 x 11 inches, containing holiday gift advertisements printed on glossy stock. This beautifully-produced booklet will be mailed in late October to a select audience of top executives such as presidents, chairmen, directors and vice presidents in America's largest companies. Booklet includes a reader service card. CLOSES SEPTEMBER 5, 1980.

Both the Respond brochure and the Package of Gift Ideas offer you an outstanding opportunity to stretch your advertising budget. These free direct mail publications combine with your advertising campaign in Forbes Magazine to provide a total marketing package that can dramatically add impact to your consumer product or service sales messages.

For more information on how you can get more out of your advertising dollar with Forbes' free merchandising support, contact your local Forbes Representative or call Stephen G. Nicoll, Director o Advertising at (212) 620-2228.

Forbes: Capitalist Tool®

ex of companies covered in news stories and by the columnists in this issue.

egheny Ludlum 81
ance Capital Management 82
ed Chemical 104
erican Brands 94
erican Electric Power 60
erican Family 14
erican Intl Group 109
lerson, Clayton & Co 66
ata 122
nco 96
ntic Richfield 60, 124
F (W.Ger.) 81
kAmerica 143
. Bard 106
trice Foods 118
ton, Dickinson 106
ing 35
anese 124
tainTeed 45
rter 94
se Manhattan 102
ssie System 48
evron 60
ysler 33
a-Cola Bottling Co. of N.Y. 66
noco 48, 60
solidated Natural Gas 143
tinental Resources 48
tinuous Curve 130
pers & Lybrand 10
ard Line Ltd (U.K.) 26
t Inds 96, 106
n Witter Reynolds 112
mond Shamrock 143
aldson, Lufkin & Jenrette 82
Pont 124
on 60
ell Lines 20
eral 118
l Motor 13, 33
Garrett AiResearch 36
General American Oil 104
General Electric 35
General Foods 118
GM 33
General Reinsurance 108
Getty 60
Gibraltar Financial 143
Gold Kist 118
GNMA 134
W.R. Grace 128
Gulf Oil 60
Gulf & Western 20
Halcon Intl 124
Hexcel 143
Hospital Corp of America 137
Illinois Power 12
IBM 20
International Paper 106
ITT 96
Kawasaki Heavy Inds, Ltd (Japan) 92
Kendavis Inds Intl 126
Kerr-McGee 58
Kraft 96
L'Air Liquide (France) 81
Lloyd's (U.K.) 109
Lockheed 36
Lummus 37
McDonnell Douglas 35
McGraw-Hill 102
Management Assistance 10
Mesa Petroleum 104
Metropolitan Life Insurance 92
Middle South Utilities 60
3M 106
Mobil 60
William Morrow & Co 26
Mutual of New York 109
NLT 143
Nabisco 96
National Steel 81
New Republic Books 26
Nippon Steel 53
Norfolk & Western 48
North American Broadcasting 66
Occidental Petroleum 48
Owens-Corning Fiberglas 45
Oxirane 124
Pan American World Airways 92
PennCorp Financial 143
Pick Hotels 116
Potomac Electric Power 10
Prudential Insurance 109
Pratt & Whitney 35
RCA 13
Republic Steel 81
Revlon 130
Richardson-Merrell 130
Rolls-Royce 36
SCOR (France) 108
SNECMA 36
St. Joe Minerals 48
Schlumberger (France) 137
G.D. Searle 130
Skandia 109
Standard Oil (Ohio) 60
Sperry & Hutchinson 114
Sun 106
Textron 104
Thyssen A.G. (W.Ger.) 37
Time 26
Todilto Exploration & Development 60
United Nuclear 60
U.S. Steel 57
United Technologies 35
Wilkinson Match (U.K.) 81
Witco 124
Ziff 102

Do you know anybody who is somebody in business who does not read Forbes Magazine?

Forbes: Capitalist Tool®

Thoughts on the Business of Life

You have to do a little bragging on yourself even to your relatives—man just doesn't get anywhere without advertising.
JOHN NANCE GARNER

Happy the man who early learns the wide chasm that lies between his wishes and his powers!
GOETHE

Bravery is being the only one who knows you're afraid.
FRANKLIN P. JONES

My business is to teach my aspirations to conform themselves to fact, not to try and make facts harmonize with my aspirations.
THOMAS HUXLEY

What we truly and earnestly aspire to be, that in some sense we are.
ANNA JAMESON

The most intolerable people are provincial celebrities.
ANTON CHEKHOV

Almost all absurdity of conduct arises from the imitation of those whom we cannot resemble.
SAMUEL JOHNSON

Sometimes the lady who smacks the champagne bottle against the ship's prow has the illusion that she is causing the ship to slide down the ways.
RAYMOND MOLEY

At bottom every man knows well enough that he is a unique being, only once on this earth; and by no extraordinary chance will such a marvelously picturesque piece of diversity in unity as he is, ever be put together a second time.
FRIEDRICH NIETZSCHE

Stand tall.
*The difference between towering and cowering is totally a matter of inner posture. It's got nothing to do with height. It costs nothing. And it's much more fun.**
MALCOLM FORBES

If you want respect, have self-respect.
ROBERT HALF

If you walk with your head held high, you will never find lost coins in the street.
PHILIP LAZARUS

Attitude determines your altitude.
HARRY F. BANKS

There are some days when I think I'm going to die from an overdose of satisfaction.
SALVADOR DALI

Never make less of yourself than you are. Be competent and forceful. Utilize your talents and abilities.
ARTHUR DOBRIN

Never bend your head. Always hold it high. Look the world straight in the face.
HELEN KELLER

005353

*The Sayings of Chairman Malcolm, *a collection of over 500 thoughts embodying the wit and wisdom of Malcolm Forbes. Now available at $5.95. Send check and order to Forbes Inc., 60 Fifth Avenue, New York, N.Y. 10011. Add appropriate sales tax on New York State orders.*

A man said to the universe: "Sir, I exist."
"However," replied the universe, "The fact has not created in me a sense of obligation."
STEPHEN CRANE

It is the chiefest point of happiness that a man is willing to be what he is.
ERASMUS

Every individual has a place to fill in the world and is important in some respect whether he chooses to be so or not.
NATHANIEL HAWTHORNE

Having principles is easier than living up to them.
ARNOLD GLASOW

A Text . . .

For we dare not make ourselves of the number, or compare ourselves with some that commend themselves: but they measuring themselves by themselves, and comparing themselves among themselves, are not wise.
II CORINTHIANS 10:12

Sent in by Pat McClain, Tallahassee, Fla. What's your favorite text? The Forbes Scrapbook of Thoughts on the Business of Life is presented to senders of texts used.

Failures are usually the most conceited of men.
D.H. LAWRENCE

The best things and best people rise out of their separateness; I'm against a homogenized society because I want the cream to rise.
ROBERT FROST

Rich Lights
from Viceroy

The rich low 'tar.'

There's never been a low 'tar' with richer taste.

Warning: The Surgeon General Has Determined That Cigarette Smoking Is Dangerous to Your Health.

Kings, 9 mg. "tar", 0.7 mg. nicotine; 100's, 10 mg. "tar", 0.8 mg. nicotine av. per cigarette, FTC Report Jan. '80.

RCA improves color TV with an electronic "fine tooth comb" that separates color from detail. And enhances both.
The Dynamic Detail Processor – a tiny solid state comb filter device with a computer-like "memory" – is producing sharper and clearer color TV pictures than ever before in RCA Limited Edition ColorTrak TV sets. By electronically separating the signals responsible for color and picture detail, the comb filter allows *both* signals to be fully processed by the set. As a result, minute details take on remarkable new definition and clarity, while color streaking and crawling edges (like those on checkered sport jackets) are virtually eliminated. RCA color TV sets are the first to have this solid state marvel of technology designed into them.
The Dynamic Detail Processor is a product of RCA Research – the kind of dedicated research that has been a tradition at RCA for over sixty years. Today, many years after Nipper started listening to His Master's Voice, research and development of electronic products are funded at the highest levels in our company's history. Our commitment is as it has always been, to the advancement of technology – to the creation of imaginative, but practical, products that expand the human horizon. ©1980 RCA Corporation
RCA
A tradition on the move.